KEEGAN, WERLIN & PABIAN, LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113
-----(617) 951-1400

TELECOPIERS: (617) 951-1354 (617) 951-0586

August 27, 2004

Mary L. Cottrell, Secretary Department of Telecommunication and Energy One South Station, 2nd Floor Boston, MA 02202

Re: D.T.E. 04-78 — Petition of Commonwealth Electric Company d/b/a NSTAR Electric for Approvals Relating to the Termination of Its Obligations to Purchase Electricity Under a Power Purchase Agreement with Dartmouth Power Associates Limited Partnership

Dear Secretary Cottrell:

On behalf of Commonwealth Electric Company d/b/a NSTAR Electric ("Commonwealth" or the "Company"), enclosed is an original and nine copies of the Petition for Approvals Relating to the Termination of Obligations under a Purchase Power Agreement with Dartmouth Power Associates Limited Partnership (the "Dartmouth Power PPA") (the "Petition"), with accompanying testimony and supporting exhibits. The Petition requests approval of: (1) the termination of the Company's existing obligations under the Dartmouth Power PPA; and (2) ratemaking treatment associated with the costs relating to the buyout.

NSTAR Electric is seeking Department approval of an agreement dated August 18, 2004 with Dartmouth PPA Holdings LLC ("Dartmouth Holdings") (the "Dartmouth Agreement"), to effect the above-referenced transaction. The Dartmouth Agreement would transfer the Dartmouth Power PPA to Dartmouth PPA Holdings LLC ("Dartmouth Holdings") or its designee, which would effectively terminate all of Commonwealth's obligations thereunder. As described in the enclosed documents, the Dartmouth Agreement requires an up-front payment by Commonwealth. In order to finance those payments and maximize mitigation, NSTAR Electric will issue rate reduction bonds pursuant to G.L. c. 164, § 1H. The Dartmouth Agreement is conditioned, in part, on the issuance by the Department of Financing Orders authorizing the securitization of associated costs. NSTAR Electric will be filing an application for approval of the securitization of the costs in the near future.

The Dartmouth Agreement and associated securitization will result in customer savings of approximately \$30 million on a net-present-value basis. The Company is also proposing that the significant customer savings relating to the Dartmouth Agreement be

Letter to Secretary Cottrell August 27, 2004 Page 2

returned to customers through the Variable Component of the Company's Transition Charge. In support of the Petition, the Company has enclosed the following:

Exhibit NSTAR-GOL Prefiled testimony of Geoffrey O. Lubbock

(with accompanying exhibits), Vice President, Financial Strategic Planning & Policy, regarding the Dartmouth Agreement and related customer savings (the "Lubbock"

Testimony"); and

Exhibit NSTAR-RBH Prefiled testimony of Robert B. Hevert (with

accompanying exhibits), President of Concentric Energy Advisors, Inc. ("CEA"), to discuss the specifics of the auction which resulted in the execution of the Dartmouth

Agreement (the "Hevert Testimony").

The Dartmouth Agreement set forth herein culminates an almost year-long process undertaken by NSTAR Electric to lower rates for customers by mitigating transition costs of above-market PPAs via an open and competitive auction process (the "2003 Auction"). As described in Mr. Hevert's testimony, the 2003 Auction provided market participants open and non-discriminatory access to all relevant information and was a competitive process that has resulted in the maximum possible mitigation of transition costs.

Also enclosed is a Motion for Protective Treatment of certain price forecasts and financial information that are included in the Company's analysis of customer savings associated with the Dartmouth Agreement. Because negotiations have not been concluded regarding all outstanding PPAs, this information is deemed proprietary and confidential, since the public release of this information could adversely affect NSTAR Electric's ability to maximize mitigation. The exhibits accompanying this public version of the filing are redacted to remove the confidential information. Unredacted versions are being provided separately, under seal.

Because the securitization of the payments under the terms of the Dartmouth Agreement will be made in conjunction with the securitization of the MASSPOWER payments (see filing in D.T.E. 04-61), and because of the long lead time necessary to complete the issuance of rate reduction bonds pursuant to G.L. c. 164, § 1H, all approvals, including the issuance by the Department of securitization Financing Orders, must be completed by December 15, 2004. Accordingly, NSTAR Electric requests expedited consideration of these filings.

Letter to Secretary Cottrell August 27, 2004 Page 3

Also enclosed is the \$100 filing fee. Thank you for your attention to this matter.

Very truly yours

Robert N. Werlin

Enclosures

cc: Andrew O. Kaplan, General Counsel

Joan Foster Evans, Hearing Officer

Ronald LeComte, Director, Electric Power Division

Kevin Brannelly, Director, Rates and Revenue Requirements Division

Joseph Rogers, Assistant Attorney General

Kerry Britland

Tam Ly

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

)	
Petition of Commonwealth Electric Company)	
for Approvals Relating to the Termination of Obligations)	D.T.E. 04-78
Under a Purchase Power Agreement with)	
Dartmouth Power Associates Limited Partnership)	
)	

PETITION FOR APPROVALS RELATING TO TERMINATION OF OBLIGATIONS UNDER A PURCHASE POWER AGREEMENT

- 1. Commonwealth Electric Company ("Commonwealth") (the "Petitioner") hereby petitions the Department of Telecommunications and Energy (the "Department"), pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A, for approval of: (1) the termination of the Company's obligations under an existing Power Purchase Agreement with Dartmouth Power Associates Limited Partnership ("Dartmouth Power") (the "Dartmouth Power PPA"); and (2) ratemaking treatment associated with the costs relating to the termination.¹
- 2. Commonwealth is a Massachusetts corporation authorized to generate, transmit, purchase, sell, and distribute electricity, and is subject to the regulatory jurisdiction of the Department. Commonwealth provides retail electric service to approximately 318,000 customers in 40 communities in southeastern Massachusetts, Cape Cod and Martha's Vineyard.

Technically, Commonwealth's obligation to purchase power under the Dartmouth Power PPA will be assigned to a new entity, Dartmouth PPA Holdings LLC ("Dartmouth Holdings"). As described below, pursuant to that assignment, Commonwealth's obligation to purchase power is terminated in exchange for a lump-sum payment.

- 3. Commonwealth and Dartmouth Power are parties to a Power Purchase Agreement, dated as of September 5, 1989 (and subsequently amended on August 3, 1990, June 23, 1994, April 25, 1995 and October 15, 2002) (i.e., the Dartmouth Power PPA) pursuant to which Dartmouth Power sells to Commonwealth, and Commonwealth purchases from Dartmouth Power, certain electric energy products produced by the Dartmouth Power facility, located in Dartmouth, MA.
- 4. As a result of an auction by Boston Edison, Commonwealth and Cambridge Electric Light Company d/b/a NSTAR Electric ("NSTAR Electric") of their PPA entitlements, including the Dartmouth Power PPA, the Dartmouth Power PPA will be assigned to Dartmouth Holdings pursuant to the terms an agreement between Commonwealth and Dartmouth Holdings (the "Dartmouth Agreement"). The Dartmouth Agreement was executed on August 18, 2004, and is attached as Appendix A.²
- 5. In support of this Petition, the following exhibits are attached:

Exhibit NSTAR-GOL

Prefiled testimony of Geoffrey O. Lubbock (with accompanying exhibits), Vice President, Financial Strategic Planning & Policy, regarding the Dartmouth Agreement and related customer savings (the "Lubbock Testimony").

Exhibit NSTAR-RBH

Prefiled testimony of Robert B. Hevert (with accompanying exhibits), President of Concentric Energy Advisors, Inc. ("CEA"), to discuss the specifics of the 2003 Auction that resulted in the execution of the

Because the Dartmouth Agreement contains information that is confidential and proprietary to Dartmouth Holdings, a redacted version is attached for the public docket. A confidential copy is being provided separately, under seal.

Dartmouth Agreement (the "Hevert Testimony").

- 6. Approval of the Dartmouth Agreement and associated ratemaking treatment is requested pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A as being in the public interest and the product of all reasonable steps taken to mitigate, to the maximum extent possible, the transition costs relating to the Dartmouth Power PPA. The transaction meets this requirement in that the 2003 Auction and the Dartmouth Agreement are consistent with the Petitioner's Restructuring Plan (see D.P.U./D.T.E. 97-111).
- 7. The Dartmouth Power PPA was offered for sale in a public auction. The auction was conducted in an open and competitive manner and was otherwise equitable and maximized the value of the assets that were subject to the auction, pursuant to G.L. c. 164, § 1A(b)(1).
- 8. NSTAR Electric selected CEA, a nationally prominent economic advisory firm, to help conduct the 2003 Auction.
- 9. In conducting the auction, NSTAR Electric and CEA used a fair, unbiased, confidential and competitive process, whereby bidders had the ability and opportunity to maximize the value of their respective bids through complete, uninhibited and non-discriminatory access to all data. The auction process is described in detail in the Hevert Testimony.
- 10. Pursuant to the Dartmouth Agreement, the Company would provide a lump-sum payment (the "Dartmouth Payment") to Dartmouth Holdings in order to assign the Dartmouth Power PPA to Dartmouth Holdings. Details regarding the Dartmouth Agreement are presented in Mr. Lubbock's testimony. In addition, the Company

will propose in a separate filing to securitize its transition costs relating to the Dartmouth Agreement pursuant to a Department-approved Financing Order, in order to maximize customer savings relating to the transaction. The Company will file a securitization petition in the near future to authorize the Company to issue rate reduction bonds (the "RRBs") that will allow the Company to provide the Purchase Price payment to Dartmouth Holdings.

- 11. Compared to the Dartmouth Power PPA, the Dartmouth Agreement will result in approximately \$30 million of savings, on a net present value ("NPV") basis, subject to the Department's approval of the Company's aforementioned securitization petition. The savings are quantified in Exhibit NSTAR-COM-GOL-2, presented by Mr. Lubbock. The savings are determined by comparing the payments that would have been made under the Dartmouth Power PPA to the NPV of the Dartmouth Payment, as financed through the RRBs.
- 12. These significant savings will be passed on to the Petitioner's customers through its Transition Charges. Costs associated with the Dartmouth Power PPA have been approved for recovery through the Variable Portion of the Transition Costs of Commonwealth. The Petitioner proposes to recover costs relating to the Dartmouth Agreement through the Variable Component of Commonwealth's Transition Charge. The application of the savings relating to the Dartmouth Agreement is presented in Mr. Lubbock's testimony.
- 13. G.L. c. 164, §§ 1A and 1G require electric companies to seek to mitigate transition costs, including, as one mitigation method, the renegotiation of above-market power-purchase contracts. G.L. c. 164, § 1G(d)(1) and (2).

- 14. In reviewing power contract buyouts, buydowns and renegotiations, the Department generally considers the consistency of the proposed transactions with a company's Department-approved restructuring plan or settlement and the Restructuring Act in that the "sale process is equitable and maximizes the value of the existing generation facilities being sold." G.L. c. 164, § 1A(b)(1).
- 15. Consistent with the Act, Commonwealth's Restructuring Plan, approved by the Department in <u>Cambridge Electric Light Company/Canal Electric Company/Commonwealth Electric Company</u>, D.P.U./D.T.E. 97-111, requires that Commonwealth undertake all reasonable steps to mitigate its transition costs and encourages the company to divest its non-nuclear generating assets. The Department has previously found that Commonwealth is committed to full mitigation of its transition costs, "principally by auctioning off...PPAs and generating plants" in compliance with the Act. D.P.U./D.T.E. 97-111, at 64.
- 16. The Dartmouth Agreement should be approved by the Department because, consistent with the Act's requirements regarding the renegotiation of PPAs, the Dartmouth Agreement: (1) is likely to achieve savings to customers; and (2) is otherwise in the public interest. Given the estimated savings of approximately \$30 million on an NPV basis relating to the Dartmouth Agreement and the fact that the savings will be passed on to customers, customers would realize an extraordinary level of savings. Moreover, renegotiating PPAs is consistent with the Act and the Company's Restructuring Plan and therefore, approval of the Dartmouth Agreement is in the public interest. Accordingly, the Dartmouth Agreement is reasonable and consistent with the Department's standard of review

for buyout or buydown agreements. Therefore, the Department should review and approve the Dartmouth Agreement expeditiously so that the customers of Commonwealth may realize the significant amount of savings relating to the Dartmouth Agreement.

WHEREFORE, Commonwealth respectfully requests the Department to approve the Dartmouth Agreement, and requests that the Department make the following findings:

- A. The 2003 Auction was conducted consistent with Commonwealth's Restructuring Plan in that the auction was equitable and maximized the value of the assets that were subject to the auction, pursuant to G.L. c. 164, § 1A(b)(1).
- B. The Dartmouth Agreement is consistent with the Act and maximizes the mitigation of Commonwealth's transition costs.
- C. The Dartmouth Agreement is reasonable, is in the public interest and is consistent with the requirements of G.L. c. 164, § 1G(d)(2)(ii).
- D. The proposed ratemaking treatment for the above-market portion of the Dartmouth Agreement is consistent with the Restructuring Plan, the Act, G.L. c. 164, § 1G(b)(1) and G.L. c. 164, §§76, 94 and 94A.
- E. The Petitioner also respectfully requests that the Department grant any other approvals and make any other findings that may be necessary or appropriate to approve the Dartmouth Agreement as described herein.

The Petitioner respectfully requests a decision from the Department on an expedited basis.

Respectfully submitted,

COMMONWEALTH ELECTRIC COMPANY

By Its Attorneys,

Robert N. Werlin, Esq.

John K. Habib, Esq.

Keegan, Werlin & Pabian, LLP

265 Franklin Street

Boston, Massachusetts 02110

(617) 951-1400 (telephone)

(617) 951-1354 (facsimile)

Dated: August 27, 2004

APPENDIX A

(PUBLIC)

PURCHASE AND SALE AGREEMENT

PURCHASE AND SALE AGREEMENT made on this the 18th day of August, 2004 by and between COMMONWEALTH ELECTRIC COMPANY, a Massachusetts corporation having its principal place of business at 800 Boylston Street, Boston, Massachusetts (the "Seller") and DARTMOUTH PPA HOLDINGS LLC, a Delaware limited liability company having its principal place of business at 2929 Allen Parkway, Suite 2200, Houston, Texas (the "Buyer"), each individually a "Party" and collectively the "Parties."

WITNESSETH:

WHEREAS, the Seller and Dartmouth Power Associates Limited Partnership, a Massachusetts limited partnership ("<u>Dartmouth</u>"), are parties to that certain Power Purchase Agreement dated September 5, 1989, as amended by an Amendment to Power Purchase Agreement, dated as of August 3, 1990, a Second Amendment to Power Purchase Agreement, dated as of June 23, 1994, a Third Amendment to Power Purchase Agreement, dated as of April 25, 1996, and a Fourth Amendment to Power Purchase Agreement, dated as of October 15, 2002 (the "<u>PPA</u>"); and

WHEREAS, the Seller and the Buyer desire to enter into this Agreement to establish the terms of the purchase and sale of the PPA;

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Buyer agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith, all capitalized terms shall have the meanings ascribed thereto as follows:

- "Affiliate" has the meaning ascribed to that term by the Securities Exchange Act of 1934.
- "Agreement" means this Purchase and Sale Agreement, including all Exhibits attached hereto.
- "Approval Order" has the meaning ascribed to that term in Section 4.2(a).
- "Assignee" means the Buyer or such other person, if any, as may be designated by the Buyer to acquire the Purchased Assets and to assume the Seller's obligations under the PPA as of the Closing Date.
- **"Assignment Agreement"** means the Assignment and Assumption Agreement in the form of Exhibit A, to be executed between the Seller and the Assignee on the Closing Date.

- **"Business Day"** means any day other than a Saturday, Sunday or any holiday which is recognized in the Commonwealth of Massachusetts.
- "Claims" shall mean any and all losses, damages, costs, expenses, injuries of any kind or character, claims, actions, causes of action, demands, fees (including, without limitation, all legal and other professional fees and disbursements, court costs and experts' fees), levies, taxes, judgments, fines, charges, deficiencies, interest, penalties and amounts paid in settlement, whether arising in equity, at common law, by statute, or under the law of contract, tort (including, without limitation, negligence and strict liability without regard to fault) or property law, of every kind or character.
- "Closing" has the meaning ascribed to that term in Section 3.2.
- "Closing Conditions" has the meaning ascribed to that term in Section 3.2.
- "Closing Date" has the meaning ascribed to that term in Section 3.2.
- "Consent and Release Agreement" means the Consent and Release Agreement in the form of Exhibit B, to be executed between the Buyer, the Seller, the Assignee and Dartmouth on the Closing Date.
- "Dartmouth" has the meaning ascribed to that term in the Recitals to this Agreement.
- "Encumbrances" means any mortgages, pledges, liens, security interests, assessments, encumbrances and charges of any kind.
- "FERC" means the Federal Energy Regulatory Commission.
- "Financing Order" has the meaning ascribed to that term in Section 4.2(b).
- "Interim Operating Agreement" has the meaning ascribed to that term in Section 9.20(b).
- "ISO" means ISO New England, Inc. (or any successor thereto).
- "MDTE" means the Massachusetts Department of Telecommunications and Energy.
- "Party" and "Parties" have the meanings ascribed to those terms in the Preamble to this Agreement.
- "PPA" has the meaning ascribed to that term in the Recitals to this Agreement.
- **"Purchased Assets"** means all right, title and interests of the Seller in and to and all liabilities and obligations of the Seller under the PPA.
- "Purchase Price" has the meaning ascribed to that term in Section 3.1.
- "Taxes" means all taxes, charges, fees, levies, penalties or other assessments imposed by any United States federal, state or local or foreign taxing authority, including, but not

limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, social security or other taxes, including any interest, penalties, or additions attributable thereto.

"Transfer Notice" has the meaning ascribed to that term in Section 9.20(a).

ARTICLE 2 – PURCHASE AND SALE

2.1 Sale of Purchased Assets

Upon the terms hereof and subject to the satisfaction of the Closing Conditions, the Seller shall permanently assign, convey, transfer and deliver to the Assignee on the Closing Date and the Assignee shall acquire from the Seller, free and clear of all Encumbrances, all right, title and interest in and to, and assume all obligations under, the Purchased Assets. Subject to the provisions of Sections 7.2 and 9.20, the Parties acknowledge and agree that, from and after the Closing Date, the Seller shall have no further obligations or liabilities under the PPA except for such obligations and liabilities arising on or before the Closing Date.

ARTICLE 3 - PURCHASE PRICE AND CLOSING

3.1 Purchase Price

In consideration of the transfer of the Purchased Assets, the Seller shall pay to the Buyer or to such other person as the Buyer may designate the amount of [REDACTED] dollars [REDACTED] (the "Purchase Price"). The Seller shall pay the Purchase Price in immediately available funds to one or more bank accounts to be designated by the Buyer. Notwithstanding the foregoing, if the Closing Date (as defined in Section 3.2 below) occurs after April 1, 2005, the Purchase Price shall be reduced by [REDACTED] dollars ([REDACTED]) per day for every day after April 1, 2005 up to the earlier to occur of the Closing Date or June 1, 2005. The Buyer shall notify the Seller of the identity of the Assignee, if any, and the account(s) into which the Purchase Price is to be paid no later than two (2) Business Days prior to the Closing Date.

3.2 Closing

Upon the terms and subject to the satisfaction of the conditions contained in Article 4 (the "Closing Conditions"), the closing of the sale and assignment of the Purchased Assets contemplated by this Agreement (the "Closing") will take place at the Seller's offices in Boston, Massachusetts at 10:00 a.m. (local time) on such date (the "Closing Date") as the Parties may agree, which date shall be as soon as practicable but no later than five (5) Business Days following the date on which all of the Closing Conditions have been satisfied or waived; or at such other place or time as the Parties may agree.

3.3 Deliveries by the Seller

At the Closing, the Seller shall deliver or cause to be delivered to the Buyer the following:

(a) the Assignment Agreement, duly executed by the Seller;

- (b) the Consent and Release Agreement, duly executed by the Seller;
- (c) the Purchase Price in the manner designated in Section 3.1; and
- (d) the Interim Operating Agreement, duly executed by the Seller.

3.4 Deliveries by the Buyer

At the Closing, the Buyer shall deliver or cause to be delivered to the Seller the following:

- (a) the Assignment Agreement, duly executed by the Assignee;
- (b) the Consent and Release Agreement, duly executed by the Buyer, the Assignee and Dartmouth;
- (c) the officer's certificate referred to in Section 4.2(e); and
- (d) the Interim Operating Agreement, duly executed by the Assignee.

ARTICLE 4 – CLOSING CONDITIONS

4.1 Conditions to Obligations of both Parties

The obligations of the Seller to transfer and assign the Purchased Assets and to pay the Purchase Price, and the obligations of the Buyer to cause the Assignee to acquire and assume the Purchased Assets pursuant to the term of this Agreement, are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of the following condition, which may be waived only in writing by both the Buyer and the Seller:

(a) No Restraining Proceedings. No preliminary or permanent injunction or other order or decree by any court of competent jurisdiction or any governmental entity which prevents the consummation of the sale and assignment of the Purchased Assets contemplated hereby shall have been issued and remain in effect (each Party agreeing to use its reasonable best efforts to have any such injunction, order or decree lifted) and no statutes, rule or regulation shall have been enacted by any state or federal government or governmental agency in the United States which prohibits the consummation of the sale of the Purchased Assets.

4.2 Conditions to Obligation of the Seller

The obligations of the Seller to transfer and assign the Purchased Assets to the Assignee and to pay the Purchase Price to the Buyer or its designee, if any, pursuant to the terms of this Agreement are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of each of the following conditions, any one or more of which may only be waived in writing, in whole or in part, by the Seller:

(a) <u>Approval Order</u>. Issuance by the MDTE of an order (the "<u>Approval Order</u>") reasonably satisfactory to the Seller approving: (i) this Agreement, including the

assignment of the PPA pursuant to the terms hereof; and (ii) full recovery by the Seller of the amount of the Purchase Price and associated transaction costs through a non-bypassable transition charge under G.L. c. 164, § 1G, which Approval Order shall have become final and non-appealable;

- (b) <u>Financing Order</u>. Issuance by the MDTE of an order (the "<u>Financing Order</u>") reasonably satisfactory to the Seller authorizing the issuance of rate reduction bonds ("<u>Bonds</u>") by the Seller pursuant to G.L. c. 164, § 1H to finance the amount of the Purchase Price, and associated transaction costs and the costs and expenses of issuance of the Bonds, which Financing Order shall have become final and non-appealable;
- (c) <u>Receipt of Bond Proceeds</u>. Receipt by the Seller of the proceeds of the Bonds;
- (d) Representations and Warranties. All representations and warranties of the Buyer contained in Sections 5.1 and 5.2 of this Agreement shall be true and correct as of the Closing Date as though such representations and warranties had been made or given on such date (except to the extent such representations and warranties specifically pertain to an earlier date);
- (e) Officer's Certificate. Receipt by the Seller of a certificate of an authorized representative of the Buyer certifying that the conditions set forth in Sections 4.3 (b) and (d) have been satisfied; and
- (f) <u>Interim Operating Agreement</u>. The Interim Operating Agreement shall have been duly executed by Assignee.

4.3 Conditions to Obligation of Buyer

The obligations of the Buyer to cause an Assignee to acquire and assume the Purchased Assets pursuant to the term of this Agreement are subject to the fulfillment and satisfaction, on or prior to the Closing Date, of each of the following conditions, any one or more of which may only be waived in writing, in whole or in part, by the Buyer:

- (a) Orders. Issuance by the MDTE of the Approval Order and Financing Order in form and substance reasonably satisfactory to the Buyer, which Approval Order and Financing Order shall have become final and non-appealable;
- (b) Governmental Approvals. Receipt by the Buyer, Dartmouth and/or the Assignee, as applicable, of each government and regulatory approval required to be obtained in connection with the transactions contemplated by this Agreement, in form and substance reasonably satisfactory to the Buyer, Dartmouth and/or the Assignee, as applicable, including but not limited to an amendment to Dartmouth's rate schedule on file with the FERC and authority for the Buyer or the Assignee to sell power at market-based rates, which approvals shall have become final and non-appealable.
- (c) Purchase Price. Receipt by Buyer or its Assignee, if any, of the Purchase Price;

- (d) <u>Consents</u>. Receipt by Dartmouth of consent and approval from its lenders in connection with the transactions contemplated by this Agreement, in form and substance reasonably satisfactory to Dartmouth;
- (e) Representations and Warranties. All representations and warranties of the Seller contained in Sections 5.1 and 5.3 of this Agreement shall be true and correct in all respects as of the Closing Date as though such representations and warranties had been made or given on such date (except to the extent such representations and warranties specifically pertain to an earlier date);
- (f) Encumbrances. There shall be no Encumbrances on the Purchased Assets; and
- (g) <u>Interim Operating Agreement</u>. The Interim Operating Agreement shall have been duly executed by the Seller.

4.4 Obligations with Respect to Closing Conditions

- (a) The Seller and the Buyer shall each use commercially reasonable efforts to obtain all of the approvals and authorizations necessary or advisable to consummate the transaction contemplated to take place at the Closing and to otherwise satisfy the foregoing conditions. Each Party agrees to promptly advise the other of the fulfillment or waiver of any condition and any material events associated with such conditions, and further each Party agrees to promptly notify the other in the event that such Party determines that any required consent or government approval or authorization is not acceptable to such Party.
- Without limiting the generality of Section 4.4(a), the Seller agrees that it shall: (i) (b) within thirty (30) days of the date of this Agreement file a copy of this Agreement with the MDTE together with a request for approval of the same; (ii) exercise all commercially reasonable efforts to obtain an expedited review by the MDTE of this Agreement and the assignment of the PPA in accordance herewith; and (iii) exercise all commercially reasonable efforts to obtain (I) the Approval Order and the Financing Order and (II) approvals relating to the Bonds under Federal and state securities laws as soon as reasonably practicable. The Seller agrees to provide the Buyer with a draft of the proposed request for approval of this Agreement to be filed with the MDTE at least two Business Day(s) prior to its submission to the MDTE, to consider modifications to such request that are suggested by the Buyer, and to generally consult with the Buyer prior to filing such request; provided that the draft provided by the Seller to the Buyer for its review may exclude: (x) competitive, proprietary or confidential information relating to other power purchase agreements; and (y) information relating to the PPA which is being submitted to the MDTE on a confidential basis.
- (c) Without limiting the generality of Section 4.4(a), the Buyer agrees that it shall, and it shall cause Dartmouth and the Assignee to, use commercially reasonable efforts to (i) promptly prepare and file all necessary documentation; (ii) effect all necessary applications, notices, petitions and filings; and (iii) execute all

necessary documents in connection with obtaining all regulatory approvals required to be obtained by it, and approval required to be obtained by it from its lenders, in connection with the transaction contemplated by this Agreement, in form and substance reasonably acceptable to Dartmouth and the Buyer, including but not limited to providing its lenders with a copy of this Agreement no later than fifteen (15) days after the date hereof, it being understood that lender approvals may be subject to consummation of the transaction contemplated by this Agreement, including payment of the Purchase Price and repayment of the amounts owed to the lenders. Furthermore, the Buyer shall use commercially reasonable efforts to obtain any required consent of Dartmouth's lenders to the transaction contemplated by this Agreement, and the Buyer agrees to give notice on or prior to twenty (20) days after the issuance of the Financing Order that: (i) the condition precedent set forth in Section 4.3(d) has been satisfied; or (ii) the Buyer irrevocably waives the condition precedent set forth in Section 4.3(d). If the Buyer fails timely to provide such notice, then the Seller may terminate the Agreement in accordance with Section 8.1(e). The Buyer shall within thirty (30) days of execution of this Agreement notify Dartmouth's lenders of the terms and conditions of this Agreement, and the Buyer shall on or before one-hundred twenty (120) days after the execution of this Agreement provide a letter updating the Seller on the status of discussions with Dartmouth's lenders, including whether Dartmouth's lenders have notified Dartmouth that the consent of Dartmouth's lenders is required in order to consummate the transaction contemplated by this Agreement or that the transaction contemplated by this Agreement is otherwise inconsistent with the terms and provisions of Dartmouth's financing and security documents.

No later than ten (10) Business Days after the issuance by MDTE or any appellate (d) court or other judicial body with jurisdiction over the MDTE, of any order or other determination approving, disapproving or ruling in any way on this Agreement, the Seller shall provide the Buyer with: (i) written notice of such order or determination including a copy thereof; and (ii) certification of an authorized officer of the Seller as to whether such order or determination is reasonably acceptable to the Seller. Failure by the Seller to provide such certification within ten (10) Business Days of such order or determination shall constitute certification that such order or determination is reasonably acceptable to the Seller. No later than ten (10) Business Days after Buyer's receipt of such notice and documentation from the Seller, the Buyer shall provide the Seller with a certification of an authorized officer of the Buyer as to whether such order or determination is reasonably acceptable to the Buyer. Unless the Seller has previously provided notice that such order or determination is not reasonably acceptable to it, failure by the Buyer to provide such written certification within ten (10) Business Days of receipt of such notice and documentation from the Seller shall constitute certification by the Buyer that such order or determination is reasonably acceptable to the Buyer.

ARTICLE 5- REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Both Parties

Each Party hereby represents and warrants to the other that:

- (a) It is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is duly qualified to do business in all jurisdictions where such qualification is required;
- (b) It has full power and authority to enter this Agreement and perform its obligations hereunder;
- (c) The execution, delivery and performance of this Agreement have been duly authorized by all necessary action and, subject to satisfaction of the Closing Conditions, do not and will not contravene its organizational documents or conflict with, result in a breach of, or entitle any party (with due notice or lapse of time or both) to terminate, accelerate or declare a default under, any material agreement or instrument to which it is a party or by which it is bound;
- (d) The execution, delivery and performance by it of this Agreement will not result in any violation by it of any law, rule or regulation applicable to it;
- (e) It is not a party to, nor subject to or bound by, any judgment, injunction or decree of any court or other governmental entity, that can reasonably be expected to restrict or interfere with the performance of this Agreement by it;
- (f) This Agreement has been duly and validly executed and delivered on its behalf and is its valid and binding obligation and is enforceable against it in accordance with its terms, except that such enforceability maybe limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting or relating to the enforcement of creditor's rights generally or general principles of equity;
- (g) The person executing this Agreement is duly authorized to do so by its governing body;
- (h) Except for the approvals of the FERC and MDTE, and registration of the Bonds under applicable Federal and state securities laws, no consent, waiver, order, approval, authorization or order of, or registration, qualification or filing with, any court or other governmental agency or authority is required for the execution, delivery and performance by such Party of this Agreement and the consummation by such Party of the transactions contemplated hereby; and
- (i) No broker, finder or other person is entitled to any fees or commissions in connection with this Agreement or the transaction contemplated herein, other than those to be paid by the Party who contracted for the services of such broker, finder or other person.

5.2 Additional Representations and Warranties of the Buyer

The Buyer hereby represents and warrants to the Seller that:

- (a) There is no action, suit or proceeding, at law or in equity, nor is there any official investigation pending or, to the best of the Buyer's knowledge, threatened against the Buyer wherein an unfavorable decision, ruling or finding would adversely affect the performance by the Buyer of its obligations hereunder or which, in any way, calls into question or may adversely and materially affect the validity or enforceability of this Agreement;
- (b) The Buyer has been represented by counsel; and
- (c) The Buyer has had the opportunity to make a complete and thorough review of the PPA and all related documents, sufficient for it to understand the benefits and risks of the transactions contemplated by this Agreement and it is relying on its own independent investigation and the representations or warranties of the Seller expressly set forth herein in determining to enter into this Agreement.

5.3 Additional Representations and Warranties of the Seller

The Seller hereby represents and warrants to the Buyer that:

- (a) There is no action, suit or proceeding, at law or in equity, nor is there any official investigation pending or, to the best of the Seller's knowledge, threatened against the Seller wherein an unfavorable decision, ruling or finding would adversely affect the performance by the Seller of its obligations hereunder or which, in any way, calls into question or may adversely and materially affect the validity or enforceability of this Agreement;
- (b) Except for the Approval Order and the Financing Order, and upon effectiveness of the registration statement and related approvals relating to the Bonds under the Federal and state securities laws, no approval, authorization, order or consent of, or declaration, registration or filing with any governmental authority is required for the valid execution, delivery and performance of this Agreement by the Seller;
- (c) The Purchased Assets are free and clear of all Encumbrances and neither the Seller, nor any person or entity acting by, through or under the Seller, has assigned any right in or under the PPA or delegated any duties arising under the PPA;
- (d) The PPA: (i) constitutes a valid and binding obligation of the Seller; (ii) is in full force and effect; (iii) by its terms, upon receipt of the Consent and Release Agreement, does not prohibit the transfer of the PPA hereunder and will continue in full force and effect thereafter without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder; and (iv) to the best of the Seller's knowledge, there are no disputes as to any amounts paid or owing under the PPA through June 30, 2004;

- (e) There is not, under the PPA, any default or event which, with notice or lapse of time or both, would constitute a default on the part of Seller; and
- (f) No person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment for the purchase from the Seller of any interest in the Purchased Assets.

5.4 Survival of Representations and Warranties

- (a) The representations and warranties made by the Seller herein or contained in any schedule or exhibit attached hereto or other document or certificate given in order to carry out the transaction contemplated herein shall survive the Closing and, notwithstanding the Closing or any investigation made by or on behalf of the Buyer or any other person or any knowledge of the Buyer or any other person, shall continue in full force and effect for the benefit of the Buyer.
- (b) The representations and warranties made by the Buyer herein or contained in any schedule or exhibit attached hereto or other document or certificate given in order to carry out the transaction contemplated herein shall survive the Closing and, notwithstanding the Closing or any investigation made by or on behalf of the Seller or any other person or any knowledge of the Seller or any other person, shall continue in full force and effect for the benefit of the Seller.

ARTICLE 6 - COVENANTS

6.1 Seller's Covenants with Respect to the PPA

- (a) During the period from the date of this Agreement to the Closing Date, the Seller shall conduct its business with respect to the Purchased Assets according to its ordinary and usual course of business consistent with past practice and will not amend (or waive any rights under) the PPA without the Buyer's prior written consent or take any action or fail to take any action that would result in a material breach of the Seller's obligations under the PPA.
- (b) Upon the request of the Buyer, the Seller shall use reasonable efforts to promptly provide the Buyer with documents and information regarding operation, dispatch, scheduling and other matters relevant to the PPA prior to the Closing Date and which are available to the Seller from the Dartmouth facility. To the extent that the Seller receives any notices issued prior to the Closing Date pursuant to the terms of the PPA, the Seller agrees promptly to forward such notices to the Buyer within five (5) Business Days from the Seller's receipt thereof.
- (c) The Seller shall make timely payments of all amounts due and payable for periods prior to the Closing Date under the PPA, subject to the terms of the Consent and Release Agreement.

- (d) The Seller shall not take any action or fail to take any action that would result in a breach of the Seller's obligations under the PPA.
- (e) The Seller shall keep the Purchased Assets free and clear of any and all Encumbrances (and shall not assign any rights in or under the PPA or delegate any duties arising under the PPA), except such Encumbrances imposed on account of Buyer or Buyer's affiliates.

6.2 Execution of Interim Operating Agreement

If the Assignee is not the Buyer, then the Buyer shall cause the Assignee to execute the Interim Operating Agreement at Closing.

6.3 NEPOOL/ISO Requirements

Subject to Section 9.20, each of the Parties shall (and the Buyer shall cause the Assignee to) timely give or make any and all necessary filings and notices with the New England Power Pool and/or the ISO as shall be necessary to implement the transaction contemplated by this Agreement.

6.4 Withholding Taxes

All payments to be made pursuant to this Agreement shall be made without withholding or deduction for Taxes.

ARTICLE 7- INDEMNIFICATION

7.1 Indemnification by the Buyer

The Buyer shall indemnify, defend and hold harmless the Seller and the Seller's officers, directors, agents, employees and Affiliates from and against any and all third party Claims (including any Claims of Dartmouth) relating to or arising out of:

- (a) All liabilities and obligations of the purchaser under the PPA arising under or relating to the PPA from and after the Closing Date; or
- (b) Any failure of any representation or warranty made by the Buyer herein to be true and correct in any respect.

7.2 Indemnification by the Seller

The Seller shall indemnify, defend and hold harmless the Buyer, the Assignee and their respective officers, directors, agents, employees and Affiliates from and against any and all third party Claims (including any Claims of Dartmouth) relating to or arising out of:

(a) All liabilities and obligations of the Seller arising under or relating to the PPA, on or before the Closing Date; or

(b) Any failure of any representation or warranty made by the Seller in Section 5.1 or 5.3 to be true and correct in any respect.

7.3 Indemnification Procedures

If any Party intends to seek indemnification under this Article 7 from the other Party with respect to any Claim, the Party seeking indemnification shall give the other Party notice of such Claim within fifteen (15) days of the commencement of, or actual knowledge of, such Claim. The failure of a Party seeking indemnification under this Article 7 to so notify the other Party of any such Claim within the time period set forth above shall not relieve such other Party from any liability which they may have to the Party seeking indemnification under this Article 7 unless, and only to the extent that, such failure results in the forfeiture of substantive rights or defenses of such other Party. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any Claim. Neither Party shall, without the prior consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed), compromise or settle any such Claim unless such settlement or compromise includes an unconditional release of the other Party from all liability arising or that may arise from such Claim and imposes no material obligations upon such other Party.

ARTICLE 8 - TERMINATION

8.1 Termination Prior to Closing

This Agreement may be terminated at any time prior to Closing;

- (a) by the mutual written agreement of the Parties;
- (b) by either Party if, for any reason other than a breach of this Agreement by such Party, the Closing Date shall not have occurred on or before June 1, 2005, or such other date, if any, as the Buyer and the Seller shall have agreed to in writing;
- (c) by one Party if the other Party has materially breached its obligations hereunder and such breach is not capable of cure, or if capable of cure, such breach has not been cured within thirty (30) days of written notification thereof;
- (d) by either Party, on not less than thirty (30) days notice, if the final and non-appealable Approval Order or Financing Order is not reasonably acceptable to such Party; or
- (e) by the Seller, on not less than five (5) Business Days notice, if the notice specified in Section 4.4(c) has not been timely provided and is not provided within the such five (5) Business Day notice period.

8.2 Effect of Termination

If this Agreement is terminated by the Buyer or the Seller as permitted under Section 8.1 (other than Section 8.1(c)), such termination shall be without liability of either Party to the other Party,

or to any of such other Party's shareholders, directors, officers, employees, agents, consultants or representatives.

ARTICLE 9 - GENERAL PROVISIONS

9.1 Expenses

Each Party shall be responsible for its own legal fees and other charges incurred in connection with the preparation of this Agreement, all negotiations between the Parties and the consummation of the transactions contemplated hereby.

9.2 Further Assurances

Each of the Parties hereto shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

9.3 Entire Agreement

Except as specifically provided in this Agreement, this Agreement (together with all documents which are required by its terms to be entered into by the Parties and all other documents which are entered into by the Parties or any of them in connection with this Agreement) constitutes the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof. Each Party acknowledges that it has not been induced to enter this Agreement by and, in agreeing to enter into this Agreement, it has not relied on, any representations or warranties except as expressly stated or referred to in this agreement and, so far as permitted by law (and except in the case of fraud), each of the Parties hereby waives any remedy in respect of (and acknowledges that no other Party nor any of their officers, directors, agents, employees and Affiliates have given) any warranties, representations, indemnities or other statements whatsoever (written or oral) not expressly incorporated into this Agreement.

9.4 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy or other electronic means of communication addressed to the respective Party as follows:

To the Seller:

Commonwealth Electric Company One NSTAR Way Westwood, MA 02090

Attn: Ellen K. Angley, Vice President, Energy Supply and Transmission

Fax: (781) 441-8078

To the Buyer:

Dartmouth PPA Holdings LLC 2929 Allen Parkway Suite 2200 Houston, Texas 77019

Attn: Chief Executive Officer

Fax: (713) 580-6320

With copies to:

AIG Financial Products Corp. 50 Danbury Road Wilton, Connecticut 06897-4444 Attn: Chief Financial Officer

Fax: (203) 222-4780

and

AIG Financial Products Corp. 50 Danbury Road Wilton, Connecticut 06897-4444

Attn: General Counsel) Fax: (203) 222-4780

or to such other address or telecopy number as any Party may from time to time notify the other in accordance with this Section 9.4. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by electronic means of communication, on the first Business Day following the transmittal thereof.

9.5 Announcements

No announcement with respect to this Agreement or the transaction contemplated herein shall be made by either Party without the prior written approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with any Federal or state laws, rules or regulations, or stock exchange regulations pertaining to timely disclosure, provided that such Party consults with the other Party before making any such announcement.

9.6 Benefit of the Agreement

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. This Agreement is not intended to confer on, or create in, any person or entity not a party hereto (which parties hereto include the original signers and their permitted assigns, including Assignee) any rights or benefits.

9.7 Time

Time shall be of the essence. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day) then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

9.8 Assignment

Subject to the Buyer's right to designate an Assignee, neither Party shall assign its rights or obligations hereunder without the prior written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned.

9.9 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one executed counterpart reflecting on one or more signature pages the signatures of all parties hereto.

9.10 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith in order to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

9.11 Amendments and Waivers

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

9.12 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "hereof," "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Exhibits, Articles and Sections of this Agreement.

9.13 Interpretation

In this Agreement words importing the singular number only shall include the plural and vice versa, and words importing gender shall include all genders and words importing persons shall include individuals, sole proprietorships, partnerships, associations, trusts, joint ventures, unincorporated organizations and corporations and natural persons in their capacities as trustees, executors, administrators or other legal representatives.

9.14 Statutory References

Any reference to a statute shall include and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and enforced from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

9.15 Funds

All dollar amounts referred to in this Agreement are in US dollars.

9.16 Exhibits

The following are the Exhibits annexed hereto and incorporated by reference and deemed to be part hereof:

Exhibit A Form of Assignment and Assumption Agreement

Exhibit B Form of Consent and Release Agreement

9.17 No Drafting Presumption

The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

9.18 Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without regard to the conflicts of laws provisions in effect therein.

9.19 Confidentiality

Each Party shall keep the amount of the Purchase Price confidential, and shall not disseminate such information to any person (other than on a confidential basis to its counsel, advisors, affiliates and lenders) or use the same for any purpose other than the consummation of the transactions contemplated hereunder unless: (a) it is legally compelled by deposition, inquiry, request for documents, subpoena, civil investigative demand or similar process, or by order of a court, commission or tribunal of competent jurisdiction or is required to do so in order to secure the regulatory approvals referenced in Section 4.2 hereof; provided in each case the Party required to provide such disclosure so advises the other Party as soon as practicable and, if requested to do so by the other Party, cooperates in seeking an appropriate protective order or suitable confidentiality undertaking prior to disclosure; or (b) it is otherwise required to publicly disclose in order to comply with applicable rules or requirements of any stock exchange, government department or agency or other regulatory authority, or by requirements of any securities law or regulation or other legal requirement. In furtherance of the foregoing, Seller shall request confidential treatment of such information in filings containing same with the MDTE.

9.20 Transfer of Lead Participant and Entitlement

- (a) <u>Transfer Notice Obligations</u>. Within thirty (30) days after the issuance of the Financing Order, the Buyer shall cause the Assignee to provide notice to the Seller of the entity to whom the lead participant function and generation asset ownership entitlement for Dartmouth shall be transferred on the books and records of the ISO effective on or after the Closing Date (the "<u>Transfer Notice</u>"). The Seller shall provide notice of such entitlement transfer and lead participant designation to the ISO in accordance with the ISO market rules at any time after the Transfer Notice is received from the Assignee, but in no case shall the Seller or the Assignee authorize the transfers to occur prior to Closing. The Parties agree (and the Buyer agrees to cause the Assignee) to use all commercially reasonable efforts to make such transfers take effect as soon as possible on or after the Closing Date.
- (b) Obligations After Closing Date. Subject to Section 6.2, the Parties agree to enter into an interim operating agreement, acceptable in form and substance to all Parties, under which the Seller for a fee, shall continue to perform the lead participant function until the transfers referred to in Section 9.20(a) have occurred (the "Interim Operating Agreement"). The fee shall be: (i) Seller's actual costs per ISO Schedule 2 to perform the services contemplated by the Interim Operating Agreement; plus (ii) beginning on the forty fifth (45th) day after Closing, in addition to such actual costs, an administrative charge of one thousand

(\$1,000.00) dollars per day to compensate the Seller for all other costs. The Interim Operating Agreement shall provide that the Assignee may terminate the period when dispatch services are to be provided (and all fees are payable) on written notice delivered to the Seller no later than seven (7) Business Days prior to the end of a month, with the transfer of services to occur as of the end of such month. Under such Interim Operating Agreement, the Seller shall pay to the Assignee all amounts credited to the Seller, or to any Affiliate of the Seller or third party contracted by the Seller that receives any benefit from or through the ISO for output and applicable products supplied from the Dartmouth facility after the Closing Date, while the Assignee shall agree to compensate the Seller for any charges or assessments billed by the ISO that are attributable to the Dartmouth facilities after the Closing Date.

[signature page follows]

Execution Copy

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties as of the date first above written.

COMMONWEALTH ELECTRIC COMPANY

Name: Ellen K. Angley

Title: Vice President Energy Supply & Transmission

DARTMOUTH PPA HOLDINGS LLC

By: Michael

Name: Michael J. Miller
Title: Chief Executive Officer

EXHIBIT A

FORM OF

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment Agreement") made
executed and delivered on thisday of 200, by and between COMMONWEALTH
ELECTRIC COMPANY, a Massachusetts corporation (the "Seller"), and,
(the " <u>Assignee</u> "), each individually a " <u>Party</u> " and collectively the " <u>Parties</u> ."

WITNESSETH:

WHEREAS, pursuant to that certain Purchase and Sale Agreement, dated as of August 18, 2004 (as amended, supplemented or otherwise modified from time to time, the "<u>Purchase Agreement</u>"), by and between the Seller and Dartmouth PPA Holdings LLC (the "<u>Buyer</u>"), the Seller agreed to sell and assign to the Buyer or its designee the Purchased Assets (as defined in the Purchase Agreement); and

WHEREAS, pursuant to the Purchase Agreement, the Buyer has designated the Assignee to acquire the Purchased Assets and assume all obligations of Seller thereunder; and

WHEREAS, the Purchase Agreement requires that the Seller permanently and irrevocably assign all right, title and interest in the PPA (as defined in the Purchase Agreement) to the Assignee;

NOW THEREFORE, in good consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Seller and the Assignee agree as follows:

- 1. Capitalized terms which are used in this Agreement but are not defined in this Agreement shall have the meaning ascribed to such terms in the Purchase Agreement.
- 2. The Seller hereby permanently and irrevocably assigns, transfers and sets over to the Assignee all right, title and interest in and to the PPA, free and clear of all Encumbrances.
- 3. The Assignee hereby assumes and agrees to pay, perform or discharge in accordance with their terms, to the extent not heretofore paid, performed or discharged, all liabilities and obligations of the Seller under the PPA except for such liabilities and obligations arising prior to the date hereof (the "Closing Date").
- 4. It is understood and agreed that nothing in this Agreement shall constitute a waiver or release of any claims arising out the contractual relationships between the Seller and the Assignee.
- 5. This Agreement shall inure to the benefit and be enforceable against the respective successors and assigns of the Seller and the Assignee.

- 6. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of laws).
- 7. This Agreement is delivered pursuant to, and is subject to, the Purchase Agreement. In the event of any conflict between the terms of the Purchase Agreement and the terms of this Agreement, the terms of the Purchase Agreement shall prevail.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the respective duly authorized officers of the Seller and the Assignee as of the date first above written.

By:	
Name: Elle	n K. Angley
Title: Vice	President Energy Supply & Transmission
[ASSIGNE	E]
Ву:	
Name:	
Title:	

EXHIBIT B

FORM OF

CONSENT AND RELEASE AGREEMENT

CONSENT AND RELEASE AGREEMENT (this "Consent and Release Agreement") made
executed and delivered on this day of, 200 by and among COMMONWEALTH
ELECTRIC COMPANY, a Massachusetts corporation (the "Seller")
[], a (the "Assignee"), DARTMOUTH PPA
HOLDINGS LLC, a Delaware limited liability company (the "Buyer"), and DARTMOUTH
POWER ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership
(" <u>Dartmouth</u> "), each individually a " <u>Party</u> " and collectively the " <u>Parties</u> ."

WHEREAS, pursuant to a Purchase and Sale Agreement dated as of August 18, 2004 between the Buyer and the Seller (the "Purchase Agreement"), the Seller agreed to transfer to the Buyer or its designee all right, title and interest in that that certain Power Purchase Agreement by and between the Seller and Dartmouth, dated September 5, 1989, and as amended by an Amendment to Power Purchase Agreement, dated as of August 3, 1990, a Second Amendment to Power Purchase Agreement, dated as of June 23, 1994, a Third Amendment to Power Purchase Agreement, dated as of April 25, 1996, and a Fourth Amendment to Power Purchase Agreement, dated as of October 15, 2002 (the "PPA"); and

WHEREAS, pursuant to an Assignment and Assumption Agreement dated as of the date hereof between the Seller and the Assignee, the Seller is assigning all of its right, title and interest in, and the Assignee is assuming all liabilities and obligations of the Seller under, the PPA.

NOW THEREFORE, in good consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

- 1. For the purposes of this Consent and Release Agreement, "<u>Closing Date</u>" means the effective date of the assignment of the PPA by the Seller to the Assignee. Following such assignment, the Seller shall promptly provide written notice to Dartmouth of the Closing Date.
- 2. Dartmouth hereby consents to the permanent and irrevocable assignment of the PPA by the Seller to the Assignee, including, without limitation, all rights, interests and obligations thereunder. Except as provided in 3 and 4 below, this Consent and Release Agreement shall not effect or alter any term, condition or provision contained in the PPA, and the terms, conditions and provisions of the PPA shall continue in full force and effect.
- 3. The Seller, for itself, its successors and assigns, hereby permanently and irrevocably releases and forever discharges the Assignee, the Buyer and Dartmouth and their respective officers, directors, employees and agents (collectively, the "Buyer Released Parties") from any and all claims, demands, actions, causes of action, accounts, covenants, contracts, torts, agreements, obligations, debts, suits, judgments, executions, sums, damages, or liabilities whatsoever in law or equity, whether known or unknown to the Seller, which the Seller, its successors and assigns ever had, now have or may ever have for, upon or by reason of any

matter, cause, circumstance or fact whatsoever existing at any time, against any and all of the Buyer Released Parties related to or arising under the PPA; provided, however, that: (a) nothing contained herein shall constitute a release of any of its rights pursuant or related to the Purchase Agreement, including, without limitation, the indemnification obligations thereunder; (b) the Seller does not hereby release Dartmouth from any of Dartmouth's payment obligations under the PPA which are billing adjustments or the correction of clerical errors and which arose during the one year period immediately preceding and including the Closing Date (the "Reserve Period"); and (c) unless the Seller notifies Dartmouth in writing within ninety (90) days of the date of this Consent and Release Agreement of any claims of the Seller with respect to payment obligations under the PPA which arose during the Reserve Period, any such claims shall be released pursuant to this provision.

- Each of Dartmouth, the Buyer and the Assignee, (each being a "Releasing Party") for itself, its successors and assigns, hereby permanently and irrevocably releases and forever discharges the Seller and its officers, directors, employees and agents (collectively, the "Seller Released Parties") from any and all claims; demands, actions, causes of action, accounts, covenants, contracts, torts, agreements, obligations, debts, suits, judgments, executions, sums, damages, or liabilities whatsoever in law or equity, whether known or unknown to the Releasing Party, which the Releasing Party, its successors and assigns ever had, now have or may ever have for, upon or by reason of any matter, cause, circumstance or fact whatsoever existing at any time, against any and all of the Seller Released Parties related to or arising under the PPA; provided, however, that: (a) nothing contained herein shall constitute a release of any of its rights pursuant or related to the Purchase Agreement, including, without limitation, the indemnification obligations thereunder; (b) Dartmouth does not hereby release the Seller from any of the Seller's payment obligations under the PPA which are billing adjustments or the correction of clerical errors and which arose during the Reserve Period; and (c) unless Dartmouth notifies Seller in writing within ninety (90) days of the date of this Consent and Release Agreement of any claims of Dartmouth with respect to such payment obligations under the PPA which arose during the Reserve Period, any such claims shall be released pursuant to this provision.
- 5. Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as any other Party may reasonably be required to effectively carry out or better evidence or perfect the full intent and meaning of this Consent and Release Agreement.
- 6. This Consent and Release Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of laws).
- 7. This Consent and Release Agreement constitutes the entire agreement between the Parties in respect of the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, written or oral, in respect thereof.
- 8. This Consent and Release Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, this Consent and Release Agreement has been duly executed and delivered by the respective duly authorized officers of the Seller, the Assignee, the Buyer and Dartmouth as of the date first above written.

COMMONWEALTH ELECTRIC COMPANY

Title:	Ellen K. Angley Vice President Energy Supply & Transmission MOUTH POWER ASSOCIATES LIMITED PARTNERSHIP
By:	Dartmouth Power Generation, L.L.C., its general partner
By: Name: Title:	MOUTH PPA HOLDINGS LLC
By: Name: Title:	
By: Name: Title:	

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Commonwealth Electric Company
for Approvals Relating to the Termination of Obligations
Under a Purchase Power Agreement with
Dartmouth Power Associates Limited Partnership

Dartmouth Power Associates Limited Partnership

MOTION OF COMMONWEALTH ELECTRIC COMPANY FOR A PROTECTIVE ORDER

I. INTRODUCTION

On this date, Commonwealth Electric Company ("Commonwealth" or the "Company") filed with the Department of Telecommunications and Energy (the "Department") a Petition (the "Petition") for Approvals Relating to the Termination of its Obligations Under a Purchase Power Agreement ("PPA"). The Petition seeks approval by the Department, pursuant to G.L. c. 164, §§ 1A, 1G, 76, 94, and 94A, of: (1) the termination of the Company's obligations under a Power Purchase Agreement with Dartmouth Power Associates Limited Partnership ("Dartmouth Power") (the "Dartmouth Power PPA"); and (2) ratemaking treatment associated with the costs relating to the termination.

As part of the Company's filing, the Company has submitted exhibits that, in part, include information regarding the Company's projections of future energy prices and its forecasts of payments to be made pursuant to an existing PPA with Dartmouth Power and PPAs with other parties. Exhibit NSTAR-COM-GOL-3, pages 13 through 15, Exhibit NSTAR-COM-GOL-4, pages 13 through 16, and Exhibit NSTAR-RBH-6, pages 2 through 4 contain proprietary, confidential and sensitive competitive information regarding: (1) the Company's projections regarding the future market price of power;

and (2) projections regarding the future costs of the Company's existing PPAs. In addition, in accordance with section 9.19 of the Purchase and Sale Agreement (the "Dartmouth Agreement") between Dartmouth PPA Holdings LLC ("Dartmouth Holdings") and the Company, the parties agreed that the amount to be paid to Dartmouth Holdings (the "Dartmouth Payment"), as set forth in Section 3.1 of Appendix A to the Petition, is to be kept confidential because it is competitively sensitive. Its disclosure would compromise NSTAR Electric's ability to negotiate additional PPA termination agreements and would undermine Dartmouth Holding's ability to consummate this transaction as described in more detail below. Because certain exhibits (or portions thereof) would disclose this confidential information, NSTAR Electric also requests confidential treatment for the following documents: Exhibit NSTAR-GOL-2, Exhibit NSTAR-COM-GOL-4, page 4, Exhibit NSTAR-RBH-5, and Exhibit NSTAR-RBH-6. For the reasons set forth below, the Company seeks a protective order from the Department to prohibit public disclosure of this proprietary, confidential and sensitive competitive information (the "Confidential Documents").

II. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, § 5D, which states in part that:

The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

... [T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and the specific reasons why disclosure of the disputed information benefits the public interest.

The Berkshire Gas Company et al., D.P.U. 93-187/188/189/190, at 16 (1994) as cited in Hearing Officers Ruling On the Motion of Boston Gas Company for Confidentiality, D.P.U. 96-50, at 4 (1996).

In practice, the Department has often exercised its authority to protect sensitive market information. For example, the Department has determined specifically that competitively sensitive information, such as price terms, are subject to protective status:

The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive. Proponents generally will face a more difficult task of overcoming the statutory presumption against the disclosure of other terms, such as the identity of the customer.

<u>Standard of Review for Electric Contracts</u>, D.P.U. 96-39, at 2, Letter Order (August 30, 1996). <u>See also Colonial Gas Company</u>, D.P.U. 96-18, at 4 (1996) (the Department determined that price terms were protected in gas supply contracts and allowed Colonial Gas Company's request to protect pricing information including all "reservation fees or charges, demand charges, commodity charges and other pricing information").

Moreover, the Department has recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

The Department recognizes that the replacement gas purchases . . . are being made in a substantially competitive market with a wide field of potential suppliers. This competitive market should allow LDC's to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC's efforts to negotiate low cost flexible supply contracts for their

systems. The Department also recognizes that a policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC's ratepayers, and therefore may be desirable for policy reasons.

The Berkshire Gas Company et al., D.P.U 93-187/188/189/190, at 20 (1994).

III. THE CONFIDENTIAL DOCUMENTS ARE PROPRIETARY, CONFIDENTIAL AND SENSITIVE AND WARRANT PROTECTION FROM PUBLIC DISCLOSURE

The Company requests confidential treatment of information relating to its projections of the market value of its existing PPAs and the projected costs to be incurred in future years for PPAs other than the Dartmouth Agreement. The Confidential Documents contain the Company's projections¹ of: (1) the annual dollars to be paid under each of their existing PPAs; (2) the Company's projections relating to market prices of the electricity delivered under each of their existing PPAs; and (3) the projections of the annual above-market value of each of their existing PPAs. Most of the projections are derived from information in Exhibit NSTAR-RBH-6, which contains: (1) the Company's projections of the market prices of energy (Pages 3-4); and (2) the Company's detailed calculations of their projected costs of the existing Dartmouth Power PPA, which are based on such market-price projections (Page 2).

The Company is seeking protected treatment for these Confidential Documents for several reasons. First, the market forecast data is considered proprietary by the company that produced it, and was provided to the Company pursuant to a confidentiality agreement. More importantly, however, these projections must be protected from public disclosure because the Company uses this information to evaluate other PPA mitigation

_

In some cases, the projections are not directly set forth, but can be computed with the data included in the page.

proposals. The Company, as well as Boston Edison Company and Cambridge Electric Light Company, have not yet completed the divestiture of all of their existing PPAs and are in active negotiations with other parties. If other parties had access to the details of the Company's updated projections and assumptions regarding future energy prices and the value of their existing PPAs, the Company's ability to negotiate the best deals possible on behalf of customers would be compromised. In fact, public release of the information in the Confidential Documents will disclose the very types of information that the Department has previously and consistently held to be confidential because the release of such information would "seriously undermine" the Company's negotiating position and thus, result in customers not realizing the maximum amount of mitigation. Western Massachusetts Electric Company, D.T.E. 99-101, at 3 (2000), citing Boston Edison Company, D.T.E. 99-16 (1999); Western Massachusetts Electric Company, D.T.E. 99-56 (1999). See also Canal Electric Company/Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 02-34 (Tr. A at 19 (June 12, 2002)) and Cambridge Electric Light Company, D.T.E. 01-94 (May 9, 2002 Approval by the Department of Amended Motion of Cambridge Electric Light Company for a Protective Order). Similarly, the Department has explicitly acknowledged the potential harm to the purchasing utility from the disclosure of buyout amounts like the Dartmouth Payment: "...protection from public disclosure of a buyout amount is appropriate since that information is an indication of a company's forecast of market prices for power, projected market electricity prices, capacity factors and discount rates." Massachusetts Electric Company, D.T.E. 99-101, at 3 (2000), citing Boston Edison Company, D.T.E. 99-16 (1999); Western Massachusetts Electric Company, D.T.E. 99-56 (1999). The Department has found this to be particularly important where, as here, the PPA assignment at issue is but one of many that the utility is seeking to terminate or restructure:

The PPA at issue here is but one of several that WMECo may negotiate. Disclosing the results here would permit future negotiating opponents to make inferences about WMECo's confidential negotiating strategy. Given the confidential nature of this competitively sensitive material, the Department finds that public disclosure of this buyout amount could prove detrimental to WMECo, because it might seriously undermine the Company's ability to maximize mitigation efforts and substantially harm WMECo's negotiating position for other PPAs.

<u>Id</u>.

In addition, as described in the attached Affidavit of Michael J. Miller, Chief Executive Officer of Dartmouth Holdings LLC ("Dartmouth"), disclosure of the buyout amount could be extremely detrimental to Dartmouth's ability to renegotiate or terminate other contracts that currently support the operation of the Dartmouth facility. Affidavit of Michael J. Miller at ¶ 6.

Accordingly, both the information and the Company's strategic use of the information presented in the Confidential Documents should be protected from public disclosure through the issuance of a protective order because the information is proprietary, confidential and competitively sensitive. The disclosure of this sensitive information would undermine the Company's ability to maximize mitigation efforts, which inures to the benefit of the Company's customers. The Department has protected similar information relating to analyses of the benefits of restructured or terminated PPAs submitted in previous proceedings. Therefore, the Company requests that the Department protect the market price and related analysis in the Confidential Documents from public disclosure, consistent with G.L. c. 25, § 5 and Department precedent.

IV. CONCLUSION

The Company respectfully requests that the Confidential Documents be held confidential, not be placed in the public docket and be disclosed only to the Department. Parties to the case may request to review the exhibits, subject to the terms of a mutually agreed Non-Disclosure Agreement. This approach will allow the Department and parties to the proceeding to review the Company's analysis of the Dartmouth Agreement while ensuring that proprietary, confidential and sensitive information will remain confidential.

WHEREFORE, for the reasons set forth herein, the Company respectfully requests that the Department allow the Company's Motion for a Protective Order.

Respectfully submitted,

COMMONWEALTH ELECTRIC COMPANY

By Its Attorneys,

Robert N. Werlin, Esq.

John K. Habib, Esq. Keegan, Werlin & Pabian, LLP

265 Franklin Street

Boston, Massachusetts 02110

(617) 951-1400 (telephone)

(617) 951-1354 (facsimile)

Date: August 27, 2004

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Petition of Commonwealth Electric Company for Approvals Relating to the Termination of Obligations Under a Purchase Power Agreement with Dartmouth Power Associates Limited Partnership)) D.T.E. 04-78)
	_)

AFFIDAVIT OF MICHAEL J. MILLER

Michael J. Miller, being duly sworn, deposes and says as follows:

- 1. I am the Chief Executive Officer of Dartmouth Holdings LLC ("<u>Dartmouth Holdings</u>"), the general partner of Dartmouth Power Associates Limited Partnership ("<u>Dartmouth</u>"). Dartmouth owns the Dartmouth generating facility in Dartmouth, Massachusetts.
- 2. I have been directly involved in the negotiation of the Purchase and Sale Agreement (the "Purchase and Sale Agreement") dated August 18, 2004 between Commonwealth Electric Company ("Commonwealth") and Dartmouth PPA Holdings LLC which is the subject of this docket.
- 3. The terms of Section 3.1 of the Purchase and Sale Agreement, including the amount of the Purchase Price, as well as the specifics of the other provisions of Section 3.1, are competitively sensitive confidential information that should be protected from public disclosure.
- 4. Dartmouth entered into negotiations with Commonwealth regarding the potential assignment of the existing Power Purchase Agreement (the "PPA") between Dartmouth and Commonwealth with the understanding that the negotiations and the economic terms of any agreement regarding the transfer of the PPA would be treated as confidential information and would not be disclosed or otherwise disseminated to anyone except as required by law. Accordingly, under Section 9.19 of the Purchase and Sale Agreement, Commonwealth agreed to request confidential treatment of this information by the Massachusetts Department of Telecommunications and Energy.

- 5. The terms in Section 3.1 of the Purchase and Sale Agreement are not, to the best of my knowledge, known beyond the parties to that agreement and their respective attorneys and confidential advisors, and within each organization, are known only to a very limited number of employees.
- 6. Disclosure of the terms of Section 3.1 of the Purchase and Sale Agreement could be extremely detrimental to Dartmouth's ability to renegotiate or terminate other contracts that currently support the operation of the Dartmouth facility. Such renegotiations or terminations are likely to be necessary to facilitate this assignment transaction.
- 7. Disclosure of terms of Section 3.1 of the Purchase and Sale Agreement may be detrimental to future potential buyout efforts of Commonwealth because if counterparties to power purchase agreements know that the economic terms of buyout agreements will be publicly disclosed, they will be reluctant to enter into such agreements or will only reach such agreements after having first finalized agreements to terminate all of their other contractual obligations or commitments related to the purchase power agreement affected by the buyout.

Signed under the pains and penalt	ies of perjury this 25th day of August, 2004.
	Therewood he
	Michael J. Miller
	(/

State of New York)

County of New York)

Sworn and subscribed before me this 25th day of August 20

Notary Public

. 9AMDRA A. LeMÓNDS
Notary Public, State of New York
No. 01E5069041
Qualified in New York County
commission Exofres April 22, 200_(

COMMONWEALTH ELECTRIC COMPANY d/b/a NSTAR ELECTRIC

Direct Testimony of Geoffrey O. Lubbock on Termination of Dartmouth PPA Obligations

Exhibit NSTAR-GOL

D.T.E. 04-78

1	I.	INTRODUCTION
2	Q.	Please state your name and business address.
3	A.	My name is Geoffrey O. Lubbock. My business address is One NSTAR Way,
4		Westwood, Massachusetts, 02090.
5	Q.	By whom are you employed and in what capacity?
6	A.	I am employed by NSTAR Electric & Gas Corporation ("NSTAR E&G") as Vice
7		President, Financial Strategic Planning & Policy. In my current position, I am
8		responsible for a broad range of regulatory and financial planning responsibilities
9		for Boston Edison Company ("Boston Edison"), Cambridge Electric Light
10		Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth"
11		or the "Company") (collectively, "NSTAR Electric") and NSTAR Gas Company.
12	Q.	Please describe your education and professional background.
13	A.	I have a Bachelor and Master of Arts from Cambridge University and a Masters
14		Degree in Business from the London Graduate School of Business. I joined
15		Boston Edison in 1988 as Manager of Revenue Requirements. In 1991, I became
16		Manager of Revenue Requirements and Financial Planning. In 1993, I became
17		Manager of Energy Research Planning and Forecasting. In 1995, I became
18		Manager of Corporate Service Commitments and in 1997, I became Director of

- Generation Divestiture. I assumed my current position in July 1998. Prior to
 Boston Edison, I was with the Cabot Corporation, Exxon Corporation and
- 3 Citibank.

15

16

4 Q. Have you previously testified in any formal hearings before regulatory bodies?

A. Yes, on a number of occasions. Currently, I am sponsoring testimony in D.T.E. 6 7 04-60, D.T.E. 04-61 and D.T.E. 04-68, which are similar proceedings to this in that they also relate to terminating or restructuring of purchase power contracts. 8 In addition, I testified before the Department of Telecommunications and Energy 9 (the "Department") to support Boston Edison's Restructuring Settlement 10 Agreement in D.P.U./D.T.E. 96-23 and in connection with approval of the 11 12 divestiture of Boston Edison's fossil generation assets in D.T.E. 97-113. I have also testified before the Department on behalf of Boston Edison in connection 13 14 with the approval of its sale of the Pilgrim Nuclear Power Station to Entergy

Q. What is the purpose of your testimony?

Nuclear Generation Company in D.T.E. 98-119.

17 A. The purpose of my testimony is to support the Petition for Approval of the
18 agreement to transfer the existing purchase power agreement ("PPA") of
19 Commonwealth with Dartmouth to Dartmouth PPA Holdings LLC ("Dartmouth
20 Holdings") or its designee, which would effectively terminate all of
21 Commonwealth's obligations thereunder. In particular, I will describe the

financial impact of the transaction, including the effect of the transaction on customer rates. In addition, I will demonstrate that the proposed transaction satisfies NSTAR Electric's obligation to mitigate its PPA-related stranded costs pursuant to the Electric Industry Restructuring Act, which is Chapter 164 of the Acts of 1997 (the "Act"), Boston Edison's Restructuring Settlement, as approved in D.P.U./D.T.E. 96-23, and Commonwealth's Restructuring Plan as approved in D.P.U./D.T.E. 97-111. To accomplish this, I will: (1) summarize the filing; (2) describe the divestiture requirements of the Act; (3) describe NSTAR Electric's efforts since the Act to divest its PPAs, including its 2003 Auction (the "2003 Auction"); and (4) support the request for approval of the agreement dated August 18, 2004, for the termination of the Company's obligations under the existing Dartmouth Power PPA (the "Dartmouth Agreement") and associated ratemaking treatment of the related costs.

14 Q. Is NSTAR Electric submitting the testimony of other witnesses in this proceeding?

16 A. Yes. In addition to my own testimony, NSTAR Electric is sponsoring the
17 testimony of Robert B. Hevert, President of Concentric Energy Advisors, Inc.
18 ("CEA"), to provide details regarding the auction process and the auction results.

Q. How is the remainder of your testimony organized?

1

2

3

4

5

6

7

8

9

10

11

12

13

19

A. Section II outlines the divestiture provisions of the Act and the Department's

Standard of Review for reviewing proposals to mitigate transition costs through

1		contract modifications. Section III describes NSTAR Electric's efforts to divest				
2		its PPAs, including the 2003 Auction for the sale or transfer of NSTAR Electric's				
3		rights to 24 PPAs. Section IV describes the Dartmouth Agreement, a				
4		demonstration that it will achieve significant mitigation of transition costs and				
5		savings for customers, and the ratemaking treatment requested for the costs to be				
6		incurred under the Dartmouth Agreement.				
7	Q.	Please describe the exhibits attached to your testimony.				
8 9	A.	NSTAR-GOL-1	A single-page document that lists the PPAs that were included in the 2003 Auction.			
10 11 12		NSTAR-GOL-2	A multi-page document that computes the projected amount associated with the Dartmouth Agreement that is to be securitized.			
13 14 15		NSTAR-COM-GOL-1	A copy of the existing PPA between Commonwealth and Dartmouth (including amendments) (the "Dartmouth Power PPA").			
16 17 18		NSTAR-COM-GOL-2	A single-page document summarizing the total Commonwealth customer savings produced by the Dartmouth Agreement.			
19 20 21		NSTAR-COM-GOL-3	A multi-page document that details the forecasted Commonwealth Transition Charges in the absence of the Dartmouth Agreement.			
22 23 24 25		NSTAR-COM-GOL-4	A multi-page document that details the forecasted Commonwealth Transition Charges after approval of the Dartmouth Agreement and associated ratemaking treatment.			

II. DIVESTITURE REQUIREMENTS

- 2 Q. Please describe the divestiture requirements of the Act for PPA buyouts and renegotiations.
- 4 A. The Act, as codified in G.L. c. 164, § 1 et seq., requires electric companies to seek
- to mitigate transition costs, including, as one mitigation method, the renegotiation
- of above-market power purchase contracts. G.L. c. 164, § 1G(d)(1) and (2). The
- Act further provides that, if a contract renegotiation, buy-out or buy-down is
- likely to achieve savings to customers and is otherwise in the public interest, the
- 9 Department is authorized to approve the recovery of the costs associated with the
- 10 contract restructuring. G.L. c. 164, § 1G(b)(1)(iv).
- 11 Q. Please describe how NSTAR Electric's Restructuring Settlement and Restructuring Plan address PPA buyouts or renegotiations.
- 13 A. Consistent with the Act, Boston Edison's Restructuring Settlement Agreement
- (the "Settlement Agreement"), approved by the Department in <u>Boston Edison</u>
- 15 Company, D.P.U./D.T.E. 96-23, requires Boston Edison to mitigate its transition
- costs by "endeavor[ing] to sell, assign or otherwise dispose of its purchased
- power contracts on terms that will assign ongoing contract payments to a
- nonaffiliated third party" (Settlement Agreement at §V.C.3.(a)). The Department
- found that the Settlement Agreement's provisions regarding mitigation were
- 20 consistent with or substantially complied with the Act.

Also consistent with the Act, Commonwealth's Electric Restructuring Plan (the "Restructuring Plan"), approved by the Department in Cambridge Electric Light Company/Canal Electric Company/Commonwealth Electric Company, D.P.U./D.T.E. 97-111, requires that Commonwealth undertake all reasonable steps to mitigate its transition costs and encourages the company to divest its non-nuclear generating assets. The Department has previously found that Commonwealth is committed to full mitigation of its transition costs, "principally by auctioning off...PPAs and generating plants" in compliance with the Act. D.P.U./D.T.E. 97-111, at 64. In this case, NSTAR Electric has presented the results of its 2003 Auction, and is requesting that the Department review the results of the auction process to ensure its compliance with the Act and applicable precedent in Massachusetts.

III. NSTAR ELECTRIC'S DIVESTITURE EFFORTS

1

2

3

4

5

6

7

8

9

10

11

12

- 14 Q. Please explain NSTAR Electric's efforts to divest its PPAs.
- 15 A. Boston Edison, Commonwealth and Cambridge have attempted to divest or
 16 renegotiate their respective PPAs since the enactment of the Act. Boston Edison
 17 discussed its mitigation efforts in three mitigation reports filed with the
 18 Department (see Boston Edison Company, Cambridge Electric Light Company,
 19 Commonwealth Electric Company, D.T.E. 00-70 (Mitigation Report of NSTAR
 20 Electric (January 19, 2001)); Department Investigation of Power Purchase

Agreement Mitigation, D.T.E. 99-62 (August 24, 1999 Mitigation Report of Boston Edison Company); Department Investigation of Power Purchase Agreement Mitigation, D.T.E. 98-62 (July 30, 1998 Mitigation Report of Boston Edison Company)). In addition, Boston Edison submitted a PPA Divestiture Plan to the Department in June 1998, which provided for a combination of continued bilateral negotiations with the PPA sellers and an auction process to assign the rights to the PPA entitlements to be conducted in 1999. and Commonwealth's mitigation efforts were included in Cambridge D.T.E. 00-70 (Mitigation Report of NSTAR Electric), referenced above, and also mitigation reports filed in D.T.E. 99-62 (on August 23, 1999) and in D.T.E. 98-62 (on July 31, 1998). Cambridge and Commonwealth, with the assistance of the Investment Firm Goldman Sachs, attempted to divest their entitlements through a separate entitlement auction held with their 1998 auction to divest generation assets. Neither of these auctions resulted in the transfer to third parties of the rights and obligations under the PPAs since the bids would not provide mitigation benefits to customers. However, NSTAR Electric has successfully bought out, bought down or otherwise renegotiated contractual obligations with individual suppliers in a way that has provided mitigation of transition costs for customers as

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

enumerated below.

1 Q. Please describe NSTAR Electric's 1999 Joint Auction of PPAs.

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

A.

After the 1999 merger that created NSTAR, NSTAR Electric, with the assistance of Navigant Consulting, initiated a joint auction that included all of their remaining power contracts, as well as the supply of its Standard Offer load. The joint auction commenced in September 1999. The solicitation process included obtaining competitive bids for NSTAR Electric's interests in 29 separate PPAs totaling approximately 2,000 megawatts ("MW") of capacity and associated energy. NSTAR Electric anticipated that it either would directly assign the PPAs to the winning bidder(s) or, where contracts were not readily assignable, enter into a back-to-back arrangement, thus effectively transferring all rights and obligations under the PPAs to the winning bidder(s) for the remaining term of the PPAs. In parallel with the PPA auction, NSTAR Electric solicited offers for power necessary to meet certain of its Standard Offer Service obligation to retail Although the PPA and Standard Offer Service load competitive bidding processes were conducted simultaneously, they were not contingent upon one another. To optimize the flexibility of the offering, NSTAR Electric solicited bids for: (1) all PPAs, any individual PPA, or any combination of PPAs; and/or (2) all Standard Offer Service load or increments of Standard Offer Service load. The intent of this design was to maximize the value of the solicitation process.

1		The financial evaluation of the preliminary bids did not yield evidence of any
2		mitigation for NSTAR Electric's customers. Analysis showed that most bidders
3		required a significant premium over the estimated cost of the PPAs. Ultimately,
4		NSTAR Electric determined that it would not be in the best interests of its
5		customers to enter into a transaction as a result of the solicitation process.
6 7	Q.	Prior to the 2003 Auction, was NSTAR Electric successful in buying out of or renegotiating individual PPAs?
8	A.	Yes. NSTAR Electric has successfully renegotiated several PPAs with individual
9		suppliers, thereby achieving significant mitigation of transition costs and savings
10		for customers. The following PPAs have been renegotiated or bought-out since
11		the passage of the Act:
12		• MBTA PPAs (amendments by Boston Edison);
13 14		• Plymouth Rock Energy Associates, L.P. (settlement of issues by Commonwealth);
15		• Pilgrim Nuclear Power Plant PPA (renegotiation by Commonwealth);
16		• L'Energia, Limited Partnership PPA (buy-out by Boston Edison);
17 18		• Lowell Cogeneration Company Limited Partnership PPA (buy-out by Commonwealth); and
19 20		• Southern PPA (renegotiation by Boston Edison, Cambridge and Commonwealth).
21		These mitigation efforts were detailed in the Mitigation Report of NSTAR
22		Electric, January 19, 2001, at 32-42. In addition, since the date of that report
23		NSTAR Electric has successfully completed the following PPA restructurings:

- Vermont Yankee PPA (Cambridge sale of plant and restructuring of power contract); and
- Seabrook Nuclear Power Station PPA (Canal Electric Company sale of plant and Cambridge and Commonwealth termination of power contract).

5 Q. Please describe NSTAR Electric's objective and scope of the 2003 Auction.

- A. As described by Mr. Hevert, NSTAR Electric and CEA established a process that
 was equitable and structured to maximize the value of the mitigation of transition
 costs through a competitive auction that ensured the complete, uninhibited, nondiscriminatory access to all data and information by any and all interested parties
 seeking to participate. The scope of the auction included NSTAR Electric's full
 portfolio of PPAs, as listed in Exhibit NSTAR-GOL-1.
- Q. Does the Dartmouth Agreement represent the only successfully renegotiated PPA from the 2003 Auction?
- 14 A. No. As a result of the 2003 Auction, NSTAR Electric has finalized or is close to
 15 finalizing new agreements relating to several of NSTAR Electric's remaining
 16 PPAs that, if approved by the Department, will result in NSTAR Electric having
 17 mitigated the vast majority (in terms of both amount electric energy purchases and
 18 above-market costs) of PPAs that will continue to be in effect after
 19 March 1, 2005. NSTAR Electric intends to seek Department approval of any
 20 such contracts in separate filings.

IV. THE DARTMOUTH AGREEMENT

1

2

21

Q.

3 Agreement. 4 A. The Dartmouth Agreement was negotiated by NSTAR Electric and Dartmouth as 5 a result of the 2003 Auction. As described in the testimony of Mr. Hevert, Commonwealth has a PPA to purchase power from the Dartmouth generating 6 7 facility located in Dartmouth, MA. The Dartmouth unit is a gas-fired 8 cogeneration facility consisting of a gas turbine and a steam turbine. The plant 9 has a current summer capacity rating of 61.8 MW, and a winter capacity rating of 10 67.9 MW. 11 Pursuant to the Dartmouth Power PPA, Commonwealth is obligated to purchase 100 percent of the output of the Dartmouth facility. The pricing provisions of the 12 PPA for energy are based on a formula that is the sum of the Variable Fuel Supply 13 14 Rate adjusted for pipeline gas transmission losses and a predetermined price index plus the variable Fuel Transportation Throughput Rate which reflects the firm 15 commodity rates associated with procuring natural gas.. Capacity is priced at a 16 predetermined level, escalated by GNP, along with monthly investment costs, a 17 pipeline transportation demand cost and a performance-based, Bonus or Penalty 18 Adjustment. The term of the Dartmouth PPA runs through May 2017. 19 The Dartmouth Agreement extinguishes all obligations for Commonwealth to 20

purchase power under the Dartmouth Power PPA. In return, Commonwealth is

Please describe in general terms the key provisions of the Dartmouth

required to pay Dartmouth a termination payment (the "Dartmouth Payment"). If the Closing Date occurs after April 1, 2005, the Dartmouth Payment shall be reduced for every day the Closing Date is delayed after that date, up to the earlier of the Closing Date or June 1, 2005, pursuant to the terms of Section 3.2 of the Dartmouth Agreement. If the transaction is not complete by June 1, 2005, either party may terminate the agreement.

7 Q. What savings are derived from the Dartmouth Agreement?

1

2

3

4

5

6

A. Compared to the existing Dartmouth Power PPA, the Dartmouth Agreement will result in approximately \$30 million of savings to customers, on a net present value ("NPV") basis. The savings are determined by comparing the forecast Transition Charges to be paid by customers if the PPA was to remain in effect with the Transition Charges to be paid by customers under the Dartmouth Agreement. A summary of the comparison, the annual savings and the NPV savings calculation is shown on Exhibit NSTAR-COM-GOL-2.

15 Q. If the Dartmouth Power PPA were to remain in effect, how would customers pay the forecast Transition Charges?

A. Each year Commonwealth files with the Department its latest forecast of
Transition Costs to set the rates for the succeeding year. This was last filed in
D.T.E. 03-118, and was updated on March 1, 2004. Exhibit COM-JFL-1 (Supp)
is the most recent submission to the Department of the annual Transition Charge
as filed in that update. Exhibit NSTAR-COM-GOL-3 in this filing contains

updated forecasts for Transition Costs based on actual results through May 2004
and CEA's purchased power forecasts thereafter. These two exhibits will provide
the base case or <u>status quo</u> Transition Charge forecasts against which the changes
resulting from the Dartmouth Agreement is measured.

5 Q. How are the Transition Charges to be paid by customers under the Dartmouth Agreement computed?

7

8

9

10

11

12

13

14

15

16

17

18

A.

Exhibit NSTAR-COM-GOL-4 is in the same format as Exhibit NSTAR-COM-GOL-3, and computes Transition Charges with the costs incurred under the Dartmouth Agreement instead of the Dartmouth Power PPA (pages 13 through 15). These exhibits also include the effect on the mitigation incentive (page 16). The exhibits include consulting and legal costs incurred by NSTAR Electric to conduct the 2003 Auction as part of the securitization calculation in Exhibit NSTAR-GOL-2. Because the consulting and legal costs will not be known with precision until after the approval process is complete, these items will be reconciled to actual costs in future transition cost reconciliation filings. This reconciliation may include allocations to other contracts as they are approved which may result in the transfer of costs between the various NSTAR Electric companies. We would plan to allocate the costs based on the savings by contract.

- 1 Q. How have you determined the impact of the securitization of the buyout payment to be made to Dartmouth?
- A. The projected annual payments to be made to repay the rate reduction bonds are listed on page 13 of Exhibit NSTAR-COM-GOL-4. The payments are then carried forward in the exhibits to forecast the transition costs to be paid by customers. As described above, when these amounts are compared with the amounts computed with the costs projected to be incurred under the existing Dartmouth Power PPA (Exhibit NSTAR-COM-GOL-3), customer savings are determined.
- 10 Q. Because the Company's PPAs are used to provide Standard Offer Service to customers, have you included exhibits relating to impact of the Dartmouth Agreement on the revenues and costs associated with Standard Offer Service?
- 14 A. No. Because of the time needed to close a securitization transaction, the
 15 termination of the Company's obligations under the Dartmouth Power PPA will
 16 not occur until after the end of Standard Offer Service on February 28, 2005.
 17 Therefore, there is no need to include exhibits that would compute the impact of
 18 the Dartmouth transaction through the Standard Offer Service transfer prices.

19 Q. How have you calculated the securitization payments?

A. It is first necessary to calculate the total amount to be securitized. The securitization amount is the present value of the Company's cash flow related to the buyout and securitization at the securitization rate. This calculation is shown

in Exhibit NSTAR-GOL-2. Although final forecasts of the amount of the proposed securitization will be submitted in the separate securitization filing, I have provided the details of current securitization forecasts in this proceeding to support the calculation of customer benefits of the Dartmouth Agreement.

5 Q. How have you organized Exhibit NSTAR-GOL-2?

1

2

3

4

A.

13

14

15

16

17

18

19

20

A. The exhibit consists of four sections: page 1 is a summary of the cash flows totaling the securitization amount; page 2 shows the monthly cash flows from the buyout and securitization; page 3 shows the limitation of tax deductibility for state and federal income taxes; and page 4 is a summary of the securitization payments, which are then carried forward to the calculation of the customers' transition charge in Exhibit NSTAR-COM-GOL-4 on page 13.

12 Q. Please explain the cash flow summary on page 1 of NSTAR-GOL-2.

The buyout amount is the amount to be paid under the Dartmouth Agreement.

There may be, in addition, a "make-whole" provision in the Commonwealth debt covenants. The covenants with existing holders of Commonwealth debt prohibit Commonwealth from issuing any debt that would have priority over the existing debt instruments. Because revenue reduction bonds issued under the securitization provisions of the Act would arguably have priority over existing debt, Commonwealth must either receive a release from each of its debt-holders or pay the "make-whole" amounts to retire the debt prematurely. Although

Commonwealth will seek to obtain releases, it is possible that such releases will not be forthcoming or the releases may be unduly expensive. In such a case, Commonwealth will pay under the make-whole provisions, and these costs are included in the amounts to be securitized. Please note that the Company has already included the recovery of these make-whole payments in its filing for approval of the MASSPOWER termination agreements. To avoid double counting these payments, the costs are not included in the calculation of the Dartmouth transaction since they have already been included in D.T.E. 04-61. However, should the MASSPOWER transaction not be consummated, then the make-whole payments would be included in this transaction.

11 Q. What are the "other costs" included in the amount to be securitized on page 1 of Exhibit NSTAR-GOL-2?

A. Other costs are the consultant costs in performing the PPA sale, legal costs in the preparation and conduct of the sale and the filings. These costs do not include internal NSTAR labor. Nor do these costs include issuance costs, which are deductible over the life of the securitization. Again, because these "other" costs have been included in the MASSPOWER filing, they are not included here to avoid double counting.

Q. What is the present value of the tax shield from the buyout, referenced on page 1 line 5 of Exhibit NSTAR-GOL-2?

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

A.

The tax shield is the amount of tax savings accruing to the Company because of the buyout and make-whole expense (the income is "shielded" by applicable tax deductions). As shown page 1 of Exhibit NSTAR-GOL-2, the tax shield will be passed on to customers by reducing the amount that is securitized and subsequently paid by customers. Since the tax shield is based on deducting the expense from otherwise taxable income, it is limited by the available income. Because there will be insufficient income available in 2005 (the year the transaction will occur) to allow the Company to deduct its full tax-deductible expense for the buyout amount and other items described above, it will not receive the full potential tax benefit. This loss is somewhat offset by the ability to carry forward the expense for future deductions for federal tax purposes. There is no carry forward or carry back for state taxes, so a portion of the state tax deductibility is lost, and therefore a reduced tax-shield benefit available to reduce the total amount to be securitized and paid by customers. The calculation of the tax shield is shown on page 3 of Exhibit NSTAR-GOL-2. This estimate of State Tax loss will be trued up through the transition change when the actual amount is known.

Q. Why is there a tax shield from the issuance cost on line 6 of page 1 of Exhibit NSTAR-GOL-2?

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

A.

The issuance cost for the securitization is not tax deductible in the year that it is incurred; rather, it is recoverable only over the life of the securitization. The Company pays out the issuance costs on the first day and recovers that cost in the securitization amount on the same day — thus the Company neither gains nor loses. However, the Company has the benefit of the tax deductibility of the amortization of the issuance cost over the life of the securitization and this benefit is flowed back to customers through column D of page 2. On the other hand, the recovery of the principal portion of the securitization is taxable, and part of the principal recovery is recovery of the issuance cost (since it is included in the securitization amount). This tax is paid by the Company as calculated in column E and recovered from customers. Thus, the Company recovers the issuance cost it paid on day 1 and it provides customers with any cash-flow benefit it receives as a result of the difference between expensing the amortization of issuance costs for tax purposes and the recovery of the issuance costs over the securitization period. The tax impact on the recovery of issuance costs from customers is already counted in the present value of the tax on the principal (column E of page 2, present valued on line 1 and carried to line 7 of page 1 of Exhibit NSTAR-GOL-2). Taking out the present value of the tax shield from issuance costs (columns D of page 2, present valued on line 1 and carried to line 6 of page 1 of

- Exhibit NSTAR-GOL-2) assures that neither customers nor the Company gains or loses as part of the taxes on the issuance costs.
- Why does the Company add the present value of the payment of taxes on the principal in determining the amount to be securitized?
- When the Company collects in rates the principal payments from customers, the 5 A. revenues are taxable income and subject to federal and state income taxes. These 6 7 taxes are cash payments made by the Company that must be recovered from customers so that the Company will recover all transition costs. Just as the 8 customers are credited for the tax savings associated with the transaction on line 5 9 page 1 of Exhibit NSTAR-GOL-2 (which is calculated in column C of page 2, 10 present valued on line 1), the Company must be credited for the subsequent 11 12 payment of taxes on line 7 (which is calculated in column E of page 2, present valued on line 1). The cash-flow benefits of the tax streams (the sum of lines 5 13 through 7) are substantial, even after the state tax loss, as shown on page 3, line 14 28. 15
 - Q. Why has the Company added issuance costs to the present value of the cash flow streams on line 9 of page 1 of Exhibit NSTAR-GOL-2?

16

17

A. Issuance costs are an unavoidable cost of the transaction, the largest portion of
which is the underwriter's fees. The amount included here (and in the
securitization filing) is a forecast, and the Company proposes to reconcile the
forecast amount to the actual issuance costs. The reconciliation amount will be

- paid back or collected through the variable component of the transition charge, as was done in Boston Edison's prior securitization filing.
- Q. Please recap how the Company projected the total securitization balance relating to the Dartmouth Agreement.
- 5 A. As summarized on page 1 of Exhibit NSTAR-GOL-2, the Company will
- securitize the net present value of its cash-flow streams relating to the transaction.
- 7 This includes the buyout amount, the make-whole payments, the issuance costs,
- and the taxes paid net of tax reductions as a result of the tax deductibility of the
- 9 forgoing costs.
- 10 Q. Please explain page 2 of Exhibit NSTAR-GOL-2, monthly cash flow.
- 11 A. Columns B through E show the Company cash flows being securitized. Columns
- F through I show the securitization balances and the principal and interest
- payments made by customers through transition charges.
- 14 Q. What is displayed in each of the columns?
- 15 A. Column B shows the total buyout amounts as shown on page 1 line 4. Column C
- shows the cash inflow (avoidance of tax cash outflows <u>i.e.</u>, tax shields) to the
- 17 Company from the deductibility of the buyout. The Company must have
- sufficient income to make the deductions. The tax payments are made quarterly
- for state tax purposes based on the forecast income for the year as follows: 40
- percent in March; 25 percent in June; 25 percent in September; and 10 percent in
- December (as shown on page 5, lines 7 through 10). Federal tax payments are

made on December 15th each year. Column D shows the tax shield relating to the issuance costs. The issuance costs on page 1, line 9 are divided by the 96 months over the eight-year period and multiplied by the effective tax rate on page 3. Column E shows the tax that is paid on the principal repayment from customers. It is calculated by multiplying the principal repayment for each year as shown on column F and applying the state tax percentage (6.5 percent) for each quarter and applying the federal tax rate (page 3, line 24, being 32.725 percent after the state tax deduction allowed for federal taxes) to arrive at the federal tax in December.

Q. Why is there no tax calculation for the interest on the securitization debt?

A.

A. The tax calculation is limited to the principal payments because interest on the securitization debt is a deductible expense. Therefore, the taxable revenue associated with the recovery of the interest cost is exactly offset by the deduction for the interest expense. Thus, there is neither a net tax payment nor a net tax saving associated with the payment of interest by customers.

Q. Please explain columns F through I, the securitization summary.

The securitization principal balances in column I is divided by the 96 monthly periods over the eight-year securitization repayment schedule to arrive at the pay down of the principal each month. The monthly payments amounts of the principal are shown on column F. The pay down reduces the monthly principal balances shown in column I. Interest in column G is computed based on an

- estimated securitization rate of 4.5 percent divided by 12 months times the monthend balance of the prior month. Column H sums the principal and interest amounts shown in columns F and G.
- 4 Q. Will the pay downs and interest exactly match what you have shown here?
- A. No. There are several simplifying assumptions and forecasts included in the calculations. For example, it is likely that the securitization will be made in four or five separate debt issuances of differing periods with lower interest rates for the shorter period and higher interest rates for the longer periods. As part of the annual reconciliation, the Company will true up to the actual principal and interest payment for each period.

Q. Please explain the state tax calculation.

11

12 A. Because the Company is projecting to have used up all its available state tax deductions for 2005 in the MASSPOWER securitization, there is no available 13 income for state taxes in 2005. As a result of the buyout and securitization, the 14 Company no longer has the original purchase power obligation (and tax expense) 15 and no longer has the revenue from customers to cover the purchase power 16 17 obligation. Thus, tax revenues and tax expenses change by the same amount and 18 the termination of the obligation to purchase power under the Dartmouth Power PPA has no tax impact. However, as a result of the buyout and securitization, the 19 20 Company has a tax deductible buyout payment, tax deductible amortization of

issuance costs and taxable principal securitization revenues. The principal securitization revenues are taxable income and the related taxes are shown in column E. For 2005, this income creates the opportunity for an equal amount of tax deductible expense as shown in columns C and D. This is reflected in the fact that the amounts for 2005 in column C and column D and column E are equal and opposite. Page 3 lines 2 and 3 show the Company's estimates of 2005 taxable revenues to cover the principal securitization payments and taxable expense due to the amortization of issuance expense. The 2005 state tax deduction is then computed for each tax quarter, on lines 6 through 9, by multiplying the state tax rate of 6.5 percent by the income available for State Tax on line 4 with the percentage applicable to each quarter, as shown in column B.

Q. Please explain the federal tax calculation for 2005.

A.

Line 12 shows the 2005 Income Available for state tax as calculated on line 4. Line 14 reduces the amount deductible for federal tax purposes by the amount of the state tax deduction on line 13, since this will have the effect of lowering the state tax deduction allowable on federal income taxes. This amount is multiplied by the federal tax rate of 35 percent to give the federal tax in 2005. Again, note that the federal tax shown on line 11 of page 2 shown in column E is exactly offset by the federal tax reduction in columns C and D. In other words, this transaction has no impact on state or federal taxes paid in 2005, since all the tax

availability was used up in the MASSPOWER securitization. Rather than showing the tax offsets in 2005, the schedule could have been left blank. However, the tax on principal payments and issuance costs were shown in 2005 to allow full reconciliation of the related taxes on the total balances which can be checked by multiplying the principal payment total (line 1, column I) by the combined tax rate of 39.225 percent (page 3, line 23) to arrive at the undiscounted total tax shield on principal, as shown on page 2, line 99, column E. Similarly, the tax on the issuance cost can be checked by multiplying the issuance cost on page 1, line 9 by the combined tax rate of 39.225 percent to arrive at the amount shown on page 2, line 99, column D.

Q. How is the federal tax carryover to 2006 and beyond calculated?

12 A. The Federal Tax carry forward is shown on line 20 and it represents the 2005 13 deductible expenses on line 18 reduced by the tax recoverable in 2005. There is 14 no State Tax carry forward. Federal taxes are settled in December of each year.

Q. How is the State Tax loss recovered by the Company?

1

2

3

4

5

6

7

8

9

10

11

15

16 A. The tax shield from the buyout, as shown on page 2 column C shows the
17 undiscounted amount in line 99. Applying the effective tax rate of 39.225 percent
18 to the buyout amount in column B, computes the tax. The difference shown on
19 line 100 is a tax shortfall. Since this is not credited to customers, the savings from
20 the transaction are lowered by this amount.

Q. Why is the tax loss borne by the customers rather than the Company?

2 A. The tax loss is an integral part of the transaction which is undertaken purely to 3 benefit customers. Above-market purchase power payments are borne by customers on a fully reconciling basis and the buyout is the result of significant 4 efforts by the Company to reduce those payments for customers. Transaction 5 costs including issuance costs, costs of the bidding process and tax losses are all 6 7 costs related to obtaining savings to customers and the decision as to whether or not to proceed is whether the net savings, after taking account of the related costs, 8 9 are still available for customers. In this instance, the net NPV savings, after taking into account related costs, are almost \$30 million as shown on Exhibit 10 11 COM-GOL-2.

Q. Is Department approval required as a condition of the Dartmouth Agreement?

12

13

14

15

16

17

18

19

20

A.

Yes. Commonwealth must receive a final order from the Department approving the termination of its obligations under the Dartmouth Power PPA in accordance with the Dartmouth Agreement and approving the full recovery of payments made pursuant to the Dartmouth Agreement through the Transition Charge. If Department approval is not received, the existing contract will remain unchanged and the Company will continue to be obligated to purchase power from the Dartmouth facility on the existing terms.

1 2	Q.	What is the proposed ratemaking treatment that is being requested in this case?
3	A.	NSTAR Electric requests only that, like the over-market costs paid under the
4		Dartmouth Power PPA, the costs incurred under the Dartmouth Agreement
5		continue to be recovered in the Transition Charge of Commonwealth as set forth
6		in Exhibit NSTAR-COM-GOL-4. Of course, the payments made and Transition
7		Charge revenues will continue to be reconciled to actual amounts as part of
8		NSTAR Electric's annual reconciliation process in accordance with the terms of
9		the approved Restructuring Plan.
10	Q.	When is Department approval of the Dartmouth Agreement requested?
11	A.	The Dartmouth Agreement anticipates a Closing Date of April 1, 2005. However,
12		the Dartmouth Agreement is conditioned, in part, on the issuance by the
13		Department of Financing Orders reasonably satisfactory to Commonwealth
14		authorizing the issuance of rate reduction bonds by the Company pursuant to G.L.
15		c. 164, § 1H, to finance the amount of the Dartmouth Payment, and related costs
16		and expenses. The Company intends to file applications for approval of such
17		Financing Orders as soon as possible.
18		Pursuant to G.L. c. 164, § 1H(b)(5), the Department must approve or disapprove
19		applications for Financing Orders within 120 days of the filing thereof.
20		Accordingly, in order for customers to realize the benefits of the Dartmouth
21		Agreement at the earliest possible date, the Company requests that the

- Department approve the Dartmouth Agreement on or before 120 days after the Company's filing of its Financing Order applications.
- Why do you believe that the Department should approve the Dartmouth Agreement?
- A. The Dartmouth Agreement should be approved by the Department because, 5 consistent with the Act's requirements regarding the buyout of PPAs, the 6 7 Dartmouth Agreement: (1) is likely to achieve savings to customers; and (2) is otherwise in the public interest. Given the estimated savings of approximately 8 \$30 million on an NPV basis relating to the Dartmouth Agreement and the fact 9 that the savings will be passed on to customers, customers would realize a 10 significant level of savings. Moreover, the buyout of PPAs is consistent with the 11 12 Act, Boston Edison's Department-approved Restructuring Settlement and Commonwealth's Department-approved Restructuring Plan and therefore, 13 approval of the Dartmouth Agreement is in the public interest. Accordingly, the 14 15 Dartmouth Agreement is reasonable and consistent with the Department's standard of review for buyout agreements. Therefore, the Department should 16 review and approve the Dartmouth Agreement expeditiously so that the customers 17 18 of Commonwealth may realize the significant amount of savings relating to the Dartmouth Agreement. 19
 - Q. Does this conclude your testimony?
- 21 A. Yes.

Exhibit NSTAR-GOL-1

Unit & Contract	Capacity (MW)		Location	Expir.	Fuel	Technology
Summer Winter						
Altresco – Pittsfield (Cambridge)	24.3	29.8	Pittsfield, MA	2011	Gas	Combined cycle cogen
Altresco – Pittsfield (Commonwealth)	24.3	29.8	Pittsfield, MA	2011	Gas	Combined cycle cogen
Boott Hydro (Commonwealth)	20.0	20.0	Lowell, MA	2023	Water	Hydro
Chicopee Hydro (Commonwealth)	2.2	2.2	Chicopee, MA	2013	Water	Hydro
Collins Hydro (Commonwealth)	1.3	1.3	N. Wilbraham, MA	2013	Water	Hydro
Dartmouth Power (Commonwealth)	61.8	67.9	Dartmouth, MA	2017	Gas	Combined cycle with supplemental firing
Masspower (Boston Edison)	100.0	117.0	Indian Orchard, MA	2013	Gas	Combined cycle cogen
Masspower 1 (Commonwealth)	25.5	29.7	Indian Orchard, MA	2008	Gas	Combined cycle cogen
Masspower 2 (Commonwealth)	25.7	29.7	Indian Orchard, MA	2013	Gas	Combined cycle cogen
MBTA 1 (Boston Edison)	25.0	33.4	South Boston, MA	2005	Jet Fuel	Combustion Turbine
MBTA 2 (Boston Edison)	25.0	34.7	South Boston, MA	2019	Jet Fuel	Combustion Turbine
NEA A (Boston Edison)	123.5	153.0	Bellingham, MA	2016	Gas	Combined cycle cogen
NEA B (Boston Edison)	68.0	92.0	Bellingham, MA	2011	Gas	Combined cycle cogen
NEA 1(Commonwealth)	22.9	28.3	Bellingham, MA	2016	Gas	Combined cycle cogen
NEA 2 (Commonwealth)	19.2	23.8	Bellingham, MA	2016	Gas	Combined cycle cogen
Ocean State 1 (Boston Edison)	63.7	74.5	Burrillville, RI	2010	Gas	Combined cycle cogen
Ocean State 2 (Boston Edison)	63.5	74.8	Burrillville, RI	2011	Gas	Combined cycle cogen
Pilgrim (Boston Edison)	230.8	230.8	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim Municipals (Boston Edison)	24.4	24.4	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim (Commonwealth)	36.0	36.0	Plymouth, MA	2004	Nuclear	Nuclear
Pioneer Hydro (Commonwealth)	1.3	1.3	Ware, MA	2014	Water	Hydro
SEMASS (Commonwealth)	46.2	50.7	Rochester, MA	2015	Refuse	Steam boiler
SEMASS Expansion (Commonwealth)	20.9	24.3	Rochester, MA	2015	Refuse	Steam boiler
Vermont Yankee (Cambridge)	12.7	13.2	Vernon, VT	2012	Nuclear	Nuclear
Total MW	1068.0	1222.5				

Line	<u>Description</u>	<u>Com</u>	<u>Reference</u>
1	Dartmouth Buyout Payment		Contract
2	Make Whole provision		Included in D.T.E. 04-61
3	Other Costs		Included in D.T.E. 04-61
4	Total	REDACTED	Sum of Line 1 thru Line 3
5	Less PV Tax Shield from the Buyout		Page 2 Line 1 Col. C
6	Less PV of the Tax Shield from the Issuance Cost		Page 2 Line 1 Col. D
7	Plus PV of Tax paid on Revenues of Principal		Page 2 Line 1 Col. E
8	Subtotal		Sum of Line 4 thru Line 7
9	Plus Issuance Cost (1% of Securitized balance)		Line 8 * 1% / 99%
10	Securitization Total		Line 8 + Line 9

		Buy-Out	Tax Shield			Dain ain al	Interest	Decement	\$ -	Annual
Line	4.5% Col. A	Col. B	Buy-Out Col. C	Col. D	Principal Col. E	Principal Col. F	Interest Col. G	Payment Col. H	Balance Securitization Col. I	Securitization Payment Col.J
	IPV at 4.5%									
3	Mar-05 Apr-05									
4 5	May-05 Jun-05									
6 7	Jul-05 Aug-05									
8 9	Sep-05 Oct-05									
10	Nov-05									
11	Dec-05 Jan-06									<u> </u>
13 14	Feb-06 Mar-06									
15 16	Apr-06 May-06									
17 18	Jun-06 Jul-06									
					REDA	CTE	n			
19 20	Aug-06 Sep-06				NED!	ICIE	ט			
21 22	Oct-06 Nov-06									
23	Dec-06									
24 25	Jan-07 Feb-07									
26 27	Mar-07 Apr-07									
28 29	May-07 Jun-07									
30	Jul-07									
31 32	Aug-07 Sep-07									
33 34	Oct-07 Nov-07					<u> </u>				
35 36	Dec-07 Jan-08									
37 38	Feb-08 Mar-08									
39	Apr-08									
40	May-08				RED/	ACTE	D			
41 42	Jun-08 Jul-08					1				
43	Aug-08									
44 45	Sep-08 Oct-08									
46 47	Nov-08 Dec-08									
48 49	Jan-09 Feb-09									
50 51	Mar-09 Apr-09									
52	May-09									
53 54	Jun-09 Jul-09									
55 56	Aug-09 Sep-09									
57 58	Oct-09 Nov-09									
59 60	Dec-09 Jan-10									
61	Feb-10									
62 63	Mar-10 Apr-10									
64 65	May-10 Jun-10									
66	Jul-10						_			
67	Aug-10				<u>RED</u>	ACTE	D			
68 69	Sep-10 Oct-10				_					
70 71	Nov-10 Dec-10					1				
72 73	Jan-11 Feb-11									=
74	Mar-11									
75 76	Apr-11 May-11									
77 78	Jun-11 Jul-11									
79 80	Aug-11 Sep-11									
81 82	Oct-11 Nov-11									
83	Dec-11									
84 85	Jan-12 Feb-12									
86 87	Mar-12 Apr-12									
88 89	May-12 Jun-12									
90	Jul-12									
91 92	Aug-12 Sep-12									
93 94	Oct-12 Nov-12									
95 96	Dec-12 Jan-13									
97	Feb-13 Mar-13					1				
99 L	Indisc. Total					I				
100 U	nrecovered 7	laxes								

Line	<u>Description</u>		<u>Com</u>	Source/Reference	
	Col. A	Col. B	Col. D		
	2005 State Tax Calculation				
1	2005 Income Available for State Tax			Post-MassPower securitization	
2	Principal Income for 2005			Page 2 lines 3 thru 11	
3	Issuance Amortization expense for 2005			Page 1, line 9 / 8 years / 12 months * 9	months
4	2005 Income for Available for State Tax			Line 2 plus line 3	
5	State tax rate of				
6	2005 State Tax deduction by quarter 3/15/2004	40%		Line 5 * Line 6 * Col. B	Goes to Page 2 line 3
7	2005 State Tax deduction by quarter 6/15/2004	25%		Line 5 * Line 6 * Col. B	Goes to Page 2 line 5
8	2005 State Tax deduction by quarter 9/15/2004	25%		Line 5 * Line 6 * Col. B	Goes to Page 2 line 8
9	2005 State Tax deduction by quarter 12/15/2004	10%		Line 5 * Line 6 * Col. B	Goes to Page 2 line 11
10	2005 total			Sum lines 6 through 9	
	2005 Federal Tax Calculation				
11	2005 Pederal Tax Calculation 2005 Income for Available for State Tax			David Oliver Oille 144	
12	2005 Income for Available for State Tax	-		Page 2 lines 3 thru 11	
	COOR To Obiable and to an long Objects Towns		REDACTED		
13	2005 Tax Shield used to reduce State Taxes	_	KLDAGILD	Line 10 above	
14	2005 Remaining Deductible before limitation	_		Line 13 + Line 14	
15	Federal tax rate of	_			
16	2005 Federal Tax Shield			Line 20 * Federal Tax Rate on line 15	Goes to Page 2 line 11
17					
18	2005 Deductible expenses			Page 1, line 3	
19	Less income offset in 2005			Line 11	
20	Carry Forward			Line 18 plus line 19	
21					
22	2006 Federal Tax deduction			line 20 * line 15	Goes to Page 2 line 27
	•				
23	Effective Tax Rate			(1 - 6.5%) * 35% + 6.5%	7
24	Effective Federal Tax Rate			line 24 minus State tax rate of 6.5%	
25	Reconciliation of State Tax Loss				
26	Footnote - State tax loss reconciliation			line 20 * line 5	
27	Federal tax increased because of State non deductibility			Line 26 * Federal Tax 35%	
28	Net Loss due to Offset by Federal Tax			Line 26 + Line 27	
29	Actual loss			Page 2 Line 100	
30	Unaccounted			Line 29 - Line 28	
					⊒

Line #	<u>Year</u> Col. A	Securitization Payments Col. B
1	Apr '05 - Dec '05	
2	2006	
3	2007	
4	2008	REDACTED
5	2009	
6	2010	
7	2011	
8	2012	
9	2013	
10	Total	
check		

Note:

Col. B from Pages 2 through 9, Column H.

Col. B to Exhibit NSTAR-COM-GOL-4, Page 13, Column B.

EXHIBIT NSTAR-COM-GOL-1

POWER PURCHASE AGREEMENT

Agreement entered into this fifth (5th) day of September, 1989, by and between Commonwealth Electric Company, a Massachusetts corporation with offices located at 2421 Cranberry Highway, Wareham, Massachusetts (the "Company"), and Dartmouth Power Associates Limited Partnership, a Massachusetts limited partnership with its principal place of business at B Newbury Street, Suite 5, Boston, Massachusetts (the "Seller").

The Seller plans to construct, own, and operate an electric generation facility, utilizing two gas turbines and a supplementary-fired waste heat boiler with a dual inlet steam turbine, together with housings and other integral equipment, which will be capable of generating approximately one hundred sixty-eight thousand, eight hundred kilowatts (168,800 kW) of electricity (the "Unit"). The Unit will be located at a site in the Town of Dartmouth, Massachusetts, which will be owned by the Seller, more particularly described in Appendix A attached hereto (the "Site"). The Seller wishes to sell and deliver and the Company wishes to purchase and take delivery of a portion of the electricity produced by the Unit, pursuant to the terms and conditions as set forth in this Agreement.

Therefore, the parties, each in consideration of the agreements of the other, hereby agree as follows.

ARTICLE 1. <u>Definitions</u>.

When used with initial capitalizations, whether in the singular or in the plural, the following terms shall have the following meanings.

Actual In-Service Date shall mean the date upon which the Seller shall have both (i) produced electricity while operating the Unit at or above an average of ninety percent (90%) of the Design Capacity for five (5) consecutive days, and (ii) delivered the Company's Entitlement of such electricity to the Company.

Adjusted Capability for each Seasonal Period shall be the greater of (i) the seasonal Capability as determined by the first Capability Audit performed during each Seasonal Period following the Actual In-Service Date, or (ii) the Design Capacity.

Billing Period shall mean any calendar month in which the Unit produces electricity pursuant to this Agreement and for which the Company is obligated to pay for such electricity produced for such month pursuant to this Agreement.

Capability shall mean the maximum dependable load carrying ability in kilowatts of the Unit during the applicable Seasonal Period (exclusive of capacity required for Unit use). Capability shall be determined by the NEPOOL Operations Committee in accordance with NEPOOL Criteria, Rules and Standards ("CRS") No. 4. In the event that CRS 4 ceases to be established, or if the Company ceases participation in NEPOOL, the Company may impose

[18-81]

reasonable substitute standards that would have the same effect as this CRS in determining Capability.

Capability Audit shall mean a test of the Unit's Capability conducted periodically pursuant to the provisions of Section 8.13 of the NEPOOL Agreement and CRS 4, or any properly issued replacements therefor created from time to time during the term of this Agreement.

Capacity Deficiency shall mean the amount, if any, by which the audited Capability of the Unit is less than the Adjusted Capability.

Company's Entitlement shall mean that percentage of Unit capacity equal to the ratio of the Contract Capacity to the Adjusted Capability.

Contract Capacity shall mean fifty thousand kilowatts (50,000 kW).

Delivered Energy shall mean, for each Billing Period, the Company's portion of the kilowatthours metered during the Billing Period pursuant to Article 7 hereof.

Delivery Point shall mean the point at which the Unit shall be interconnected with the Company's system, in accordance with an interconnection agreement to be agreed to by the Seller and the Company.

Design Capacity shall mean one hundred sixty-eight thousand, eight hundred kilowatts (168,800 kW), at fifty-nine (59) degrees Fahrenheit.

FERC shall mean the Federal Energy Regulatory Commission.

Force Majeure shall include those events set forth in Article 10.1 hereof.

Good Utility Practice shall mean the practice, methods, and acts (including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should have been known at the time a decision was made, would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy, and expediency. With respect to the Unit, Good Utility Practice includes but is not limited to taking reasonable steps to ensure the following.

- (1) That adequate materials, resources, and supplies, including fuel, are available to meet the Unit's needs;
- (2) That sufficient operating personnel are available and are adequately experienced, trained, and licensed as necessary to operate the Unit properly and efficiently, and who are capable of responding to emergency conditions whether caused by events on or off the Site;
- (3) That preventative, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable long term and safe operation, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;

- (4) That appropriate monitoring and testing are performed to ensure that equipment is functioning as designed;
- (5) That equipment is not operated recklessly, or in a manner that is unsafe to workers, the general public, or the environment, or without regard to defined limitations such as steam pressure, temperature and moisture content, chemical content of make-up water, flood conditions, safety inspection requirements, operating voltage, current, frequency, rotational speed, polarity, synchronization, or control system limits;
- (6) That equipment will function properly under both normal and emergency conditions; and
- (7) That the Unit is operated in conformance with the applicable NEPGOL CRS and Operating Procedures, and NEPEX dispatch instructions.

MDPU shall mean the Massachusetts Department of Public Utilities.

NEPEX shall mean the central dispatching agency, as defined in Section 15.22 of the NEPOOL Agreement, operating through such satellite dispatching centers as the NEPOOL Management Committee may determine to be appropriate.

NEPOOL shall mean the New England Power Pool.

NEPOOL Agreement shall mean the New England Power Pool Agreement, dated September 1, 1971, as amended.

Proposed In-Service Date shall be July 1, 1992.

Seasonal Period shall mean either the summer period, June through September, or the winter period, October through May, as appropriate.

System Emergency shall mean an imminent condition on the Company's or a neighboring utility's system that is likely to result in significant disruption of service or is likely to endanger life or property.

Testing Period shall mean any period of time during which the Unit is being tested and may produce electric energy prior to the Actual In-Service Date.

Test Power shall mean any electric energy produced by the Unit during the Testing Period.

ARTICLE 2. Sale of Power.

- 2.1 The Seller agrees to sell and deliver and the Company agrees to purchase and take delivery of the Company's Entitlement and related energy produced by the Unit during the term of this Agreement.
- 2.2 The Unit shall be staffed, operated, and maintained in a manner consistent with the standards applicable to generating facilities owned

and operated by participants in NEPOOL, as such standards may be in effect from time to time during the term of this Agreement. The Seller also agrees to make the Unit available for NEPOOL dispatch in accordance with the provisions of Section 12.2 of the NEPOOL Agreement.

- 2.3 In addition to the foregoing, the Seller shall undergo periodic Capability Audits upon the request of NEPOOL or of the Company. In the event that the Unit demonstrates a Capacity Deficiency in excess of two thousand kilowatts (2,000 kW), the Company may assess the Seller an offset charge each month, which shall be equal to one twelfth (1/12) of the sum of the Capability Responsibility Adjustment Charge plus the Capability Responsibility Deficiency Charge, established from time to time by NEPOOL pursuant to the provisions of Section 9.4 of the NEPOOL Agreement, multiplied by such Capacity Deficiency.
- 2.4 During the Testing Period, the Unit may generate Test Power. The Company agrees to take and pay for any Test Power offered for sale, up to the Company's Entitlement and related energy, subject to the following conditions:
 - 2.4.1 The tests conducted during the Testing Period shall be performed in accordance with Good Utility Practice,
 - 2.4.2 The administrative committee established pursuant to this agreement shall be kept informed of operations during the Test Period, and
 - 2.4.3 The Company shall pay for any Test Power monthly at a price determined pursuant to the Company's generally available Rate P-1 "Power Purchase Rate" (MDPU No. 182) or the generally available replacement therefor.

ARTICLE 3. Effective Date and Term.

- 3.1 This Agreement shall become effective when all necessary approvals have been received from the FERC and from the MDPU, in a form acceptable to both parties; provided, however, that the Company's obligation to purchase the Company's Entitlement and related energy (other than pursuant to Article 2.4) shall not commence until the Actual In-Service Date. Unless sooner terminated in accordance with any applicable provision hereof, this Agreement shall remain in full force and effect until the twenty-fifth (25th) anniversary of the Actual In-Service Date.
- 3.2 If all necessary permits or licenses to build and operate the facility have not been obtained, or construction of the Unit has not commenced, within twenty-four (24) months following the date first above-written, or if, in the reasonable judgment of either party exercised not sooner than twenty-four (24) months following the date first above written, the Actual In-Service Date is likely to occur later than twenty-four (24) months after the Proposed In-Service Date, either party may terminate this Agreement upon sixty (60) days written notice to the other.

ARTICLE 4. Security Deposit.

- 4.1 Within thirty (30) days following the date that this Agreement is approved by the MDPU, the Seller shall deliver to the Company seven hundred fifty thousand dollars (\$750,000) as a security deposit (the "Security Deposit"). The Security Deposit is calculated as the product of (i) fifty thousand kilowatts (50,000 kW), which is the Contract Capacity, and (ii) fifteen dollars (\$15) per kilowatt. The Company shall hold the Security Deposit in an interest-bearing escrow account.
- 4.2 If, prior to the Proposed In-Service Date, the project is cancelled or abandoned or this Agreement is terminated, or if this Agreement is terminated in accordance with the provisions of Article 3.2, the entire Security Deposit shall be returned to the Seller after payment to the Company of accumulated interest and a percentage of the principal equal to the ratio of the elapsed time between Agreement execution and the cancellation date to the total time between Agreement execution and Proposed In-Service Date; provided, however, that if the reason for such cancellation, abandonment, or termination is the failure of the FERC to approve or accept this Agreement, in a form acceptable to both parties, then the entire Security Deposit plus any accumulated interest shall be returned to the Seller.
- 4.3 If, after the Proposed In-Service Date, the project is cancelled or abandoned or this Agreement is terminated, the entire Security Deposit plus any accumulated interest shall be paid to the Company; provided, however, that if the reason for such cancellation, abandonment, or termination is the inability or refusal of the Company to interconnect, the entire Security Deposit plus any accumulated interest shall be returned to the Seller.
- 4.4 If the Actual In-Service Date occurs on or before the Proposed In-Service Date, the entire Security Deposit plus any accumulated interest shall be returned to the Seller.
- 4.5 If the Actual In-Service Date occurs within twenty-four (24) months after the Proposed In-Service Date, the entire Security Deposit and any accumulated interest through the Proposed In-Service Date shall be paid to the Seller and any interest accumulated after the Proposed In-Service Date shall be paid to the Company; provided, however, that if the reason for the occurrence of the Actual In-Service Date after the Proposed In-Service Date is the inability or refusal of the Company to interconnect, any interest accumulated after the Proposed In-Service Date shall also be paid to the Seller.
- 4.6 If the Actual In-Service Date does not occur within twenty-four (24) months after the Proposed In-Service Date, the entire Security Deposit plus any accumulated interest shall be paid to the Company and the Agreement shall be terminated according to the provisions of Article 3.2.

ARTICLE 5. Purchase Price.

From and after the Actual In-Service Date, the Company shall pay to the

Seller each Billing Period, in accordance with the provisions of Article 8 of this Agreement, the sum of the Monthly Capacity Charge and the Monthly Energy Charge, as determined pursuant to Appendix B attached hereto. In calculting the Monthly Energy Charge, rates shall be rounded to the nearest one-hundredth of one cent (\$.0001) per kilowatthour and shall be multiplied by the Delivered Energy for the prior Billing Period. If the Actual In-Service Date does not fall on the first day of the Billing Period in which such Date occurs, then the Monthly Capacity Charge for such first Billing Period shall be prorated appropriately. Sales or other ad valorem taxes upon the sale of electricity pursuant to this Agreement shall be borne by the Company.

ARTICLE 6. Delivery by the Seller.

- 6.1 The Seller shall exert all reasonable efforts consistent with Good Utility Practice to cause the Unit to be capable of operating and producing electric energy at or near normal seasonal Capability on a continuous twenty-four (24) hour basis for the full term of this Agreement.
- 6.2 Electric energy generated by the Unit shall be delivered to the Company at the Delivery Point and shall be in the form of three (3) phase, sixty (60) hertz, alternating current at approximately one hundred fifteen thousand (115,000) volts nominal (the "Nominal Voltage"). However, in no event shall said Nominal Voltage be less than one hundred fifteen thousand volts (115 kV), nor shall electricity be delivered at greater than five (5) percent above the Nominal Voltage, nor shall the frequency vary by more than one hundredth (.01) hertz from sixty (60.00) hertz except for unavoidable momentary fluctuations.
- 6.3 The Seller may from time to time withdraw the Unit from service and cease to supply electric energy to the Company as necessary to perform scheduled or unscheduled maintenance or repair upon the Unit. The Seller shall comply with the provisions of NEPOOL Operating Procedure No. 5 as in effect from time to time when planning any scheduled maintenance or repair upon the Unit. The Seller shall give the Company such notice as may be practicable in the circumstances when withdrawing the Unit from service for unscheduled maintenance or repair.

ARTICLE 7. Meters and Metering.

7.1 The Company shall review and approve the metering installations required to record the quantities of electricity purchased from the Seller. Such metering equipment shall be capable, inter alia, of providing data required to determine kilowatthours per hour purchased during each hour of the month as well as total kilowatthours purchased each month under the terms of this Agreement. The Seller shall install, own, operate, and maintain such metering equipment, which equipment shall be located at the Seller's high voltage bus or buses. If, for any reason, it is impractical to install meters at such bus or buses, appropriate adjustments shall be made to reflect the actual amount of electric energy that would have been recorded by meters located at such bus or buses.

- 7.2 The Seller shall maintain the accuracy of all metering equipment installed pursuant hereto by regular testing and calibration in comparison to recognized standards. The metering equipment shall be sealed, and the Seller will comply with any reasonable request of the Company with regard to the presence of the Company's representative when such seals are to be broken or when the meters are to be inspected, tested, or adjusted. The Company may request at any time a test of the accuracy of any metering equipment installed pursuant hereto and shall bear the costs thereof in the event that said requests are made more frequently than once in each twelve (12) months. The results of all meter calibrations or tests, regardless of whether performed at the Company's request, shall be open to examination by the Company at all reasonable times.
- 7.3 Any meter tested and found to register less than or equal to one half of one percent (0.5%) above or below the recognized comparative standard shall be considered correct and accurate. If the metering fails to operate or, as a result of such tests, the metering equipment is found to be defective or inaccurate, the Seller shall restore it to a condition of accuracy or replace it. In such event, appropriate adjustments shall be agreed to by the Seller and the Company and reflected in the next monthly statement of the Seller rendered pursuant to Article 8.1. Such adjustments shall correct all measurements made by the defective or inaccurate meter for either (i) the actual period during which inaccurate measurements were made, if determinable to the mutual satisfaction of the Company and the Seller, or (ii) if such period is not determinable, for a period equal to one-half of the time elapsed since the last prior test, but in no event greater than twelve (12) months.
- 7.4 Other provisions of this Article notwithstanding, the Company may elect to install its own metering equipment in supplement to the Seller's metering equipment. Should any metering equipment installed by the Seller fail to register the amount of electric energy delivered to the Company during any period, the Company's metering equipment shall, if so installed, be used to determine the amount of energy so delivered. If the Company wishes its metering equipment to be so used, the Company agrees to operate, maintain, and read such equipment according to the standards established by this Article with respect to the Seller's metering equipment. The Seller agrees, upon the request of the Company, to provide a suitable location at the Site for installation of the Company's meters at no cost to the Company.
- 7.5 Upon the written request of the Company, the Seller shall install, own, operate, and maintain, pursuant to the provisions of this Article, such telemetering equipment and data circuits as the Company may reasonably require for the transmission of various metered values to its operations center. The design equipment and data circuits shall be approved by the Company prior to their installation by the Seller.

ARTICLE 8. Billing and Payment.

8.1 The Seller shall render monthly statements for the Billing Period then most recently ended within ten (10) working days following the receipt

by the Company of all actual metered values for such Billing Period. The monthly statement shall detail the amount of Delivered Energy during such Billing Period. Any amount payable hereunder not paid within thirty (30) days from the date of receipt by the Company of all actual metered values for the Billing Period shall be subject to a late payment charge at the annual rate of two (2) percentage points over the current interest rate on prime commercial loans then in effect at the First National Bank of Boston from the date of receipt of such monthly statement until the date of payment.

- 8.2 In the event that any data required for billing purposes hereunder are unavailable when required for such billing, the unavailable data may be estimated by the Company, subject to any required adjustment, based upon actual data, in a subsequent Billing Period within the following twelve (12) months.
- 8.3 Neither the Company nor the Seller shall have the right to challenge any monthly statement rendered or received hereunder, to invoke arbitration of the same, or to bring any court or administrative action of any kind questioning the propriety of said monthly statement, after a period of one (1) year from the date such monthly statement was rendered. In the event that any such monthly statement depends in whole or part upon estimated data, this one (1) year limitation period shall be deemed to begin in the Billing Period in which such estimated data are adjusted to actual.

ARTICLE 9. Governmental Regulation.

- 9.1 This Agreement shall be submitted by the Company to the MDPU in accordance with the regulations of the MDPU, and by the Seller to the FERC in accordance with the regulations of the FERC as set forth at 18 C.F.R. Part 35.
- 9.2 Each party hereto shall be responsible for taking all necessary actions to satisfy any regulatory requirements that may be imposed by any federal, state, or municipal statute, rule, regulation, or ordinance that may be in effect from time to time relative to the performance of such party hereunder.
- 9.3 This Agreement and all rights and obligations of the parties hereunder are subject to applicable state and federal laws and duly promulgated orders and duly authorized actions of governmental authorities.

ARTICLE 10. Liability and Force Majeure.

10.1 The parties hereto shall be excused from performing hereunder, and shall not be liable in damages or otherwise, if and to the extent that they are unable to do so or are prevented from doing so by an event of Force Majeure, including, without limitation, by statute or regulation, or by action or inaction of any court or public authority having or purporting to have jurisdiction in the premises; or by reason of storm,

flood, fire, earthquake, explosion, civil disturbance, labor dispute, act of God or the public enemy, restraint by a court or regulatory agency, or any other cause, whether or not similar thereto, beyond the reasonable control of the affected party. Each party shall have the obligation to operate in accordance with Good Utility Practice at all times and to use diligent effort to overcome and remove any cause of failure to perform; provided, however, that neither party shall be required to settle any labor dispute on terms that, in the sole judgment of the party involved in such dispute, are contrary to its interests, so long as such party is acting in good faith and otherwise in compliance with applicable labor laws and regulations.

- 10.2 Neither the Company nor the Seller shall, in any event, be liable to the other or to any third party for any consequential, indirect, or special damages to persons or property, whether arising in tort, contract, or otherwise, by reason of this Agreement or any services performed or undertaken to be performed by the Company or the Seller hereunder.
- 10.3 Whenever the Company's system or the systems with which it is directly or indirectly interconnected experiences a System Emergency, or whenever it is necessary or desirable to aid in the restoration of service on its system or on the systems with which it is directly or indirectly interconnected, the Company may, in its reasonable judgment, curtail or interrupt the taking of electric energy hereunder, provided such curtailment or interruption shall continue only for so long as is reasonably necessary. Such curtailment, interruption, or reduction shall not be deemed to be a default by the Company nor shall the Company be liable therefor to the Seller or to any other party.
- 10.4 The Company and the Seller agree that each shall be responsible for the electricity on its respective side of the Delivery Point and shall indemnify, save harmless, and defend the other against all claims, demands, costs, or expenses for loss, damage, or injury to persons or property in any manner directly or indirectly arising from, connected with, or growing out of the presence, use, or transmission of electricity over the wires, cables, devices, or appurtenances owned by it. The Company and the Seller each assumes full responsibility in connection with the service rendered hereunder for its respective wires, cables, and other devices used in connection with such service. Each party hereto shall be solely liable for all claims of its own employees arising from any worker's compensation laws.
- 10.5 Neither by inspection, by non-rejection, nor in any other way does either party give any warranty, expressed or implied, as to the adequacy, safety, or other characteristics of any equipment, apparatus, or devices installed on the other party's premises.

ARTICLE 11. Governing Law.

The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the Commonwealth of Massachusetts.

ARTICLE 12. Arbitration.

- 12 I In the case of any dispute between the parties with respect to the interpretation of this Agreement or the performance of the same, either party may give notice in writing to the other of its desire to submit such questions to arbitration and may designate an arbitrator. Within thirty (30) days after the receipt of such notice the other party may, in writing, serve upon the party invoking such arbitration a notice designating an arbitrator on its behalf. The two arbitrators so chosen shall, within twenty (20) days after the appointment of the second arbitrator, in writing, designate a third arbitrator. Upon the failure of the party notified to appoint the second arbitrator within such time, the party invoking such arbitration may proceed with the single arbitrator. If the first and second arbitrators are unable to agree on a third arbitrator within twenty (20) days of the appointment of the second arbitrator, the first and second arbitrator shall invoke the services of the American Arbitration Association to appoint a third arbitrator. This third arbitrator shall, to the extent practicable, have special competence and experience with respect to the subject matter under consideration. An arbitrator so appointed shall have full authority to act pursuant to No arbitrator, whether chosen by a party hereto or this Article. appointed, shall have the power to amend or add to this Agreement.
- 12.2 The party calling the arbitration shall, within twenty (20) days after either the failure of the other party to name an arbitrator, or the appointment of the third arbitrator, as the case may be, fix, in writing, a time and a place of hearing, to be not less than twenty (20) days from the delivery of notice to the other party. The arbitrator or arbitrators (the "Arbitrators") shall, thereupon, proceed promptly to hear and determine the controversy pursuant to the then current rules of the American Arbitration Association for the conduct of commercial arbitration proceedings, except that if such rules conflict with the then current provisions of the laws of the Commonwealth of Massachusetts relating to arbitration, such conflict shall be governed by the then current provisions of such laws. The Arbitrators shall fix a time within which the matter shall be submitted to them by either or both of the parties, and shall render a decision within ten (10) days after receiving the final submission from the parties unless, for good reasons to be certified by them in writing, the Arbitrators extend such time. The decision of the single arbitrator, or two of the three arbitrators, shall be taken as the arbitration decision. Such decision shall be made in writing and in duplicate, and one copy shall be delivered to each of the parties. Arbitrators, by their award, shall determine the manner in which the expenses of the arbitration shall be borne, except that each party shall pay the costs of its own counsel. Each party shall accept and abide by the arbitration decision. The award of the Arbitrators shall be final except as otherwise provided by applicable law. Judgment upon such award may be entered by the prevailing party in any court having jurisdiction thereof, or application may be made by such party to any such court for judicial acceptance of such award and an order of enforcement.

ARTICLE 13. Insurance.

- 13.1 From and after the Actual In-Service Date, the Seller shall (i) keep the Unit insured by means of a policy or policies of insurance protecting against loss or damage to the Unit by fire, lightning, and other casualties normally insured against with a uniform standard extended coverage endorsement, and (ii) maintain liability insurance as described in Appendix C attached hereto. Such insurance is to be at all times in amounts not less than that reasonably required by the Company. The Company shall be the named insured in these policies, which policies shall contain a waiver of subrogation in favor of the named insured. All policies, or copies thereof, together with a certificate from the insurers evidencing that the policies are currently in force, shall be delivered to the Company.
- 13.2 Such insurance shall be provided by policies that shall be written by such companies and in such form as shall be generally commercially available and acceptable to the Company, such acceptance not to be unreasonably withheld; shall be primary and without right to contribution from other insurance that may be available; shall provide that, with respect to the Company, the insurance shall not be invalidated by any action or inaction by the Seller including, without limitation, any representation made by or on behalf of the Seller in the procurement of such insurance; and shall provide that such insurance shall not be cancelled or amended without at least thirty (30) days' prior written notice to the Company.
- 13.3 Not less than thirty (30) days prior to the expiration date of each policy furnished by the Seller pursuant to this Article, the Seller will deliver to the Company a renewal policy or policies accompanied by evidence of payment of the premium therefor.
- 13.4 In the event of a loss occurring after completion of the construction of the Unit, the amount of any proceeds of insurance described in this Article remaining after deducting all expenses (including attorney fees) incurred in the collection of such proceeds from the gross proceeds thereof (the "Net Proceeds") shall be applied to the prompt repair, restoration, modification, or improvement of that portion of the Unit damaged or destroyed by such casualty, unless the Seller and the Company have agreed that such repair, restoration, modification, or improvement is not practicable under the circumstances.

ARTICLE 14. Preservation of the Unit.

14.1 The Seller in its sole discretion may sell or otherwise dispose of any machinery, equipment, or other personal property constituting part of the Unit that the Seller determines has become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, provided that (i) substitute property having equal or greater utility, but not necessarily the same function, in the operation of the Unit is installed at the Unit and such removal and substitution would not materially impair the efficiency of operation of the Unit, adversely affect the structural integrity or electrical output of the Unit, or change the nature of the

Unit to the extent that it would not constitute the type of electricity generation facility operated prior to such replacement; and (ii) the prior written consent of the Company is obtained, which consent shall not be unreasonably withheld; provided, however, that such consent shall not be required for removals and substitutions made during ordinary and routine repair and maintenance. The Seller shall promptly report to the Company each such removal, substitution, sale, or other disposition. In addition, not less often than semi-annually, the Seller shall make available to the Company's representatives on the administrative committee described in Article 17.6 all records with respect to prior dispositions and substitutions, together with information as to planned dispositions and substitutions during the next six months.

- 14.2 The Seller shall pay or cause to be paid all taxes, payments in lieu of taxes, assessments, and other charges now or hereafter levied against the Unit or any part thereof, together with any penalties or interest on any of the foregoing, and upon request of the Company, the Seller shall exhibit to the Company receipts for the payment of such charges prior to the date when they would become delinquent; the foregoing to be subject, however, to the right of the Seller and other parties in interest to contest in good faith the levying of such charges.
- 14.3 At the time of providing security to the Company pursuant to Article 15 hereof, the Seller shall warrant that good record and marketable title to the Site and to the Unit is held by the Seller (subject only to any mortgages, liens, leases, or other encumbrances existing as of record and copies of which have been provided to the Company). The Seller shall not enter into any transaction involving the transfer, sale, or lease of the Site or the Unit, or any interest therein, without the prior written consent of the Company in each case obtained, which consent shall not be unreasonably withheld. Such transfer, sale, or lease shall be in such form as to assure that the Company's right to receive the electric output of the Site and Unit pursuant to the terms of this Agreement shall apply against an entity that might thereby obtain title to or possession of the Site or Unit.
- 14.4 The Seller will maintain the Unit, or cause the Unit to be maintained, in accordance with Good Utility Practice, will not commit or suffer any waste thereof or the conduct of any nuisance or unlawful occupation or business on, or use of, the Unit, and will comply, or cause compliance, with all statutes, ordinances, and requirements of any governmental authority relating to the Unit; and the Seller at its expense shall provide the Company with a report on an annual basis prepared by a nationally recognized firm of consulting engineers, chosen by the Seller and approved by the Company, such approval not to be unreasonably withheld, attesting to the fact that the Unit is being maintained in If substantial items affecting accordance with Good Utility Practice. long-term efficient operation of the Unit that are described in any such annual report as being in need of correction are not corrected within six months following such annual report, the Company may withhold payment of the Monthly Capacity Charge component of the Total Purchase Price, with such amounts to be held in escrow by the Company until the cited item has been corrected, upon which correction the escrowed funds shall be released to the Seller. Notwithstanding the foregoing, if any such

correction is not made within twelve (12) months from the date of such annual report, the Company may elect to cause such correction to be made and the escrowed funds shall be applied to cover the costs of such correction.

14.5 The Company and any persons authorized by the Company shall have the right to enter and inspect the Unit at all reasonable times upon reasonable prior written notice to the Seller, and to examine Unit operating manuals and maintenance records.

ARTICLE 15. Security of Continued Performance.

In order to secure such complete performance of the Seller's obligations as is necessary for the Company to provide service to its ratepayers, the Seller, prior to the Actual In-Service Date, shall provide to the Company security in the form and scope set forth below:

- Mortgage and Security Agreement. The Seller shall execute and deliver to the Company a mortgage and security agreement creating liens and security interests in the Unit, the Site, all improvements upon the Site, and all rents, profits, income, and other benefits derived from the foregoing, subordinate only to the lien of the institutional or unaffiliated lenders securing amounts lent for the construction or permanent financing or refinancing of the Unit. Such liens and security interests of the Company shall secure (i) all amounts paid by the Company to the Seller pursuant to this Agreement in excess of the Company's actual avoided costs and (ii) performance of Seller's obligations under this Agreement for the full anticipated term thereof, including all damages resulting from the Seller's failure to perform such obligations. Such mortgage and security agreement will be in form and substance acceptable to the Company.
- 15.2 Declaration of Easements, Covenants, and Restrictions. The Seller shall cause to be granted to the Company an unsubordinated declaration of easements, covenants, and restrictions encumbering the Site for a period equal to the anticipated full term of this Agreement (the "Declaration"). The Declaration shall grant to the Company easements for access to the Site and for the placement and operation of facilities thereon (which shall not interfere with the rights of the Seller to design, construct, and operate the Unit), as well as create restrictions and covenants to the effect that if any electricity is produced at the Site during the term of the Declaration, the Company's Entitlement thereto shall not be tendered or sold except to the Company in accordance with this Agreement. The Declaration shall reserve to the Seller the right to grant other easements, so long as such other easements do not interfere with the rights of the Company. The Declaration shall be in form and substance acceptable to the Company and shall run with the Site and be binding upon the successors of the Seller and inure to the benefit of the Company and its successors.
- 15.3 Accommodation Agreement. The Seller shall cause any lender of funds to the Seller for the acquisition of the Site or Unit (the "Lender") to execute and deliver an Accommodation Agreement, under which such

Lender shall agree: (i) to make its own interests subject to the Declaration described above; (ii) to honor this Agreement to the extent the Lender is in possession of the Site or Unit; (iii) to transfer interests in the Site or Unit only upon the condition that the transferee become obligated to honor this Agreement from the date of such transfer; and (iv) to avoid interference with the Company's rights hereunder, provided that the Company continues to make payments hereunder to the Seller's successor-in-interest and that the Company otherwise performs in accordance with this Agreement.

15.4 Letter of Credit. The Seller shall provide, in form and substance acceptable to the Company, an irrevocable letter of credit in favor of the Company. The Seller shall maintain such letter of credit throughout the period during which payments by the Company to the Seller are expected to exceed the Company's anticipated avoided cost for power, and such letter of credit shall be in an amount equal to the expected amount by which such payments will exceed of the Company's anticipated avoided cost for power, according to the following schedule:

from	through	amount
Actual In-Service Date	December 31, 19	92 \$2,526,162
January I, 1993	December 31, 19	93 3,962,380
January 1, 1994	December 31, 19	94 5,667,578
January 1, 1995	December 31, 19	
January 1, 1996	December 31, 19	
January 1, 1997	December 31, 19	
January 1, 1998	December 31, 19	98 9,866,184
January 1, 1999	December 31, 19	99 6,918,707
January 1, 2000	December 31, 20	5,848,890
January 1, 2001	December 31, 20	01 3,615,810

ARTICLE 16. Rights of Company with respect to Expansion of Plant and Extension of Unit Life.

The Seller shall not enter into any contract for the sale of electricity from any addition to or expansion of the Unit, or from any other electric generation facilities located at the Site, until and unless (i) the Seller shall have first offered to enter into a contract with the Company on substantially the same business terms as those specified in any proposal or letter of intent between the Seller and any other party with respect thereto and (ii) the Company does not accept such offer within thirty (30) days of the date presented to the Company in writing and enter into a contract reflecting such business terms within sixty (60) days thereafter. Further, should the Seller operate the Unit beyond the term of this Agreement, the Seller shall enter into a contract for the sale of electricity from the Unit or any other electrical generation facilities located at the Site only under the conditions set forth in the foregoing sentence. The Seller agrees to keep the Company fully and promptly apprised, through the administrative committee described in Article 17.6, of any plans the Seller may develop for any addition to or expansion of the Unit or the development of any other generation facilities at the Site, which information the Company agrees not to disclose except with the Seller's prior written permission.

ARTICLE 17. Miscellaneous Provisions.

- 17.1 This Agreement shall constitute the entire Agreement between the parties hereto relating to the subject matter hereof and all previous agreements, discussions, communications, and correspondence with respect to the subject matter hereof shall be superseded by the execution of this Agreement.
- 17.2 This Agreement may not be modified or amended except in writing signed by or on behalf of both parties by their duly authorized officers.
- 17.3 In the event that any or all of the NEPOOL standards referred to herein shall cease to be established, or if the Company ceases participation in NEPOOL, the Company may impose reasonable substitute standards that do not materially alter the obligations of the Seller as such obligations existed under the NEPOOL standards.
- 17.4 This Agreement shall inure to the benefit of and bind the respective successors and assigns of the parties hereto, provided however, that no assignment by either party (or any successor or assignee thereof) of its rights and obligations hereunder, except an assignment by the Company of such rights and obligations to a wholly-owned subsidiary or an affiliate wholly-owned by the same holding company, shall be made or become effective without the prior written consent of the other party in each case obtained, which consent shall not be unreasonably withheld. All assignments by the Seller or the Seller's successors and assigns shall be in such form as to assure that the Company's right to receive the electric output of the Site and Unit pursuant to the terms of this Agreement shall apply against any entity that might obtain title to or possession of the Site or Unit.
- 17.5 Notwithstanding any assignments of rights or duties hereunder, neither party shall be relieved of any duties or responsibilities under this Agreement and this Agreement shall continue in accordance with its terms and each party shall be and remain liable to the other under all provisions of this Agreement unless the other party has expressly consented in writing to such release of duties and responsibilities, such consent not to be unreasonably withheld. Further, any payments made by one party to an assignee of the other party or any other actions taken by such party with respect to such assignee shall be in full satisfaction of any duties or responsibilities that the party would otherwise owe to the other party, as if made or taken directly to such other party.
- 17.6 The parties hereto agree to establish an administrative committee, which shall serve informational functions only. Unless otherwise agreed by the administrative committee, such committee shall meet at least once each calendar quarter prior to the Actual In-Service Date and at least twice each year thereafter. The Company and the Seller shall have equal representation upon such committee.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP By its General Partner, EMI/Development, Inc.

Ву

Its .

COMMONWEATHH ELECTRIC COMPANY

Ву

Its

RESIDENT

APPENDIX A TO POWER PURCHASE AGREEMENT

Description of the Site

The Site consists of thirty-seven and sixty-one hundredth (37.61) acres in an L-shaped configuration as shown on the Town of Dartmouth Assessors Map as Parcel 67.9.

The Site is primarily vacant woodlands and brush with the exception of a small wooden building in the northwest sector. A portion of the land has been cleared for timber.

The approximate elevation of the Site is one hundred sixty (160) feet above sea level. The Site is basically flat, sloping toward the southwest into wetlands. An Algonquin Gas Transmission Company pipeline bisects the Site in an east-west direction.

APPENDIX B TO POWER PURCHASE AGREEMENT

- 1. Total Purchase Price: Each Billing Period, commencing with the Actual In-Service Date, the Company shall pay to the Seller the sum of the following:
 - 1.1 The Monthly Capacity Charge, as defined in and computed in accordance with Section 2 of this Appendix B, and as adjusted in accordance with Section 3 of this Appendix B; and
 - 1.2 The Monthly Energy Charge, as defined in and computed in accordance with Section 4 of this Appendix B.
- 2. Monthly Capacity Charge: The Monthly Capacity Charge shall consist of the sum of the Monthly Capacity Cost, the Monthly Investment Cost, and the Monthly Pipeline Transportation Capacity Demand Cost, all as defined and computed as follows.
 - 2.1 Monthly Capacity Cost: The initial Monthly Capacity Cost shall equal one hundred ninety-two thousand, seven hundred six dollars (\$192,706). The Monthly Capacity Cost shall be subject to the following adjustments.
 - 2.1.1 Following the first month after the Actual In-Service Date, the Monthly Capacity Cost shall be adjusted quarterly to reflect changes in the GNP Implicit Price Deflator, such changes to be measured from the month of the Actual In-Service Date. The GNP Implicit Price Deflator is revised quarterly and is published by the Bureau of Economic Analysis of the United States Department of Commerce in the Survey of Current Business.
 - 2.1.2 In the event that NEPEX or the Company requests in excess of one hundred (100) stops and one hundred (100) starts of the Unit in any calendar year, the Seller may include the additional operation and maintenance costs that it incurs as a direct result of such excess stops and starts, as such costs are determined by the firm of consulting engineers described in Article 14.4 of this Agreement.
 - 2.2 Monthly Investment Cost: The Monthly Investment Cost shall equal six hundred ninety-seven thousand, one hundred eighty-six dollars (\$697,186).
 - 2.3 Monthly Pipeline Transportation Capacity Demand Cost: The Monthly Pipeline Transportation Capacity Demand Cost shall equal the product of 0.2962 (which is equal to the Contract Capacity divided by the Design Capacity) and the sum of the following firm transportation demand charges:
 - 2.3.1 The applicable and approved NOVA pipeline transportation capacity demand rate, expressed in dollars per million British

Thermal Units (\$/MMBTU), multiplied by the appropriate amount of gas, as such rate is on file with the appropriate regulatory authorities;

- 2.3.2 The applicable and approved TransCanada pipeline transportation capacity demand rate, expressed in dollars per million British Thermal Units (\$/MMBTU), multiplied by the appropriate amount of gas, as such rate is on file with the appropriate regulatory authorities; and
- 2.3.3 The applicable and approved pipeline transportation capacity demand rate contained in the United States Domestic Pipeline Tariff (as defined in Section 5 of this Appendix B), expressed in dollars per million British Thermal Units (\$/MMBTU), multiplied by the appropriate amount of gas, as such rate is on file with the applicable regulatory authorities.
- 3. Bonus or Penalty Cost Adjustment: A bonus or penalty cost adjustment shall be made to the Monthly Capacity Cost or to the Monthly Capacity Charge, based on the ability of the Seller to operate the Unit as measured on a moving, twelve month, cumulative equivalent availability factor basis. This adjustment shall be made pursuant to the following formula:

If EAF is less than .85,

Adjustment =
$$((\frac{EAF}{.91}) - 1)$$
 x Monthly Capacity Charge

If EAF is equal to or greater than .85,

Adjustment =
$$((\frac{EAF}{.91}) - 1)$$
 x Monthly Capacity Cost

Where EAF = Equivalent Availability Factor

$$EAF = \frac{EAH}{Hours in Period}$$

EAH = Equivalent Available Hours

EAH = sum, over all megawatts available in hour*

Seasonal Maximum Net Claimed
Capability Rating in Hour**

- * The megawatts available in an hour shall reflect Seasonal Maximum Claimed Capability, adjusted only for non-temperature related outages and/or limitations.
- ** Seasonal Maximum Net Claimed Capability shall be established pursuant to NEPOOL CRS 4, "Rating and Auditing of Generating Capability."

Example: Hour 1 Hour 2 Hour 3 available MW: 160 165 162 168 168

EAH =
$$\frac{160}{168} + \frac{165}{168} + \frac{162}{168} = 2.899$$

EAF = $\frac{2.899}{3} = .966$

- 4. Monthly Energy Charge: The Monthly Energy Charge shall consist of the product of (a) the Delivered Energy for the prior Billing Period, expressed in kilowatthours; and (b) the sum of the Variable Fuel Supply Rate and the Variable Fuel Transportation Throughput Rate, expressed in dollars per kilowatthour (\$/kWh), both as defined and computed as follows.
 - 4.1 <u>Variable Fuel Supply Rate</u>: The Initial Variable Fuel Supply Rate, as of December 31, 1988, is set equal to the following:
 - 4.11 One dollar and thirty-five cents per million British Thermal Units (\$1.35/MMBTU); divided by
 - 4.12 One (1) minus the appropriate quantity, expressed as a decimal, of "pipeline" and "unaccounted for" gas, as included in the applicable and approved commodity charges; multiplied by
 - 4.13 The Adjusted Heat Rate. The Adjusted Heat Rate is equal to eight thousand, five hundred eighty three British Thermal Units per kilowatthour (8,583 BTU/kWh), expressed in millions of British Thermal Units per kilowatthour (i.e., 0.008583 MMBTU/kWh), and is equal to the Unit heat rate of eight thousand three hundred seventy-four British Thermal Units per kilowatthour (8,374 BTU/kWh) multiplied by the sum of one (1) plus a degradation of two and one-half (2.5) percent.

The Initial Variable Fuel Supply Rate shall be adjusted monthly to reflect the proportional change in the following index, which uses the year 1988 as its base:

	Weighting	12 mo. avg.
Tennessee CD-6	25%	\$2,508/MMBTU
Algonquin F-1	25%	2.185
Alberta Market Price	50%	1.329
Weighted Cost		\$1.838/MMBTU

4.2 <u>Variable Fuel Transportation Throughput Rate</u>: The Variable Fuel Transportation Throughput Rate shall equal the Adjusted Heat Rate, multiplied by the sum of the following firm commodity throughput rates:

- 4.2.1 The NOVA commodity throughput rate, expressed in dollars per million British Thermal Units (\$/MMBTU), as such rate is on file with the appropriate regulatory authorities;
- 4.2.2 The TransCanada commodity throughput rate, expressed in dollars per million British Thermal Units (\$/MMBTU), as such rate is on file with the appropriate regulatory authorities; and
- 4.2.3 The commodity throughput rate contained in the United States Domestic Pipeline Tariff (as defined in Section 5 of this Appendix B), expressed in dollars per million British Thermal Units (\$/MMBTU), as such rate is on file with the appropriate regulatory authorities.
- For purposes of this Appendix B, the United States Domestic Pipeline Tariff shall be the tariff or tariffs for each of the pipeline companies and local distribution companies transporting natural gas from the Canadian border to the Unit's meter station. In the event that firm transportation is unavailable to the unit's meter station upon the Actual In-Service Date, the United States Domestic Pipeline Tariff shall reflect the most recently filed charges with the Canadian and United States regulatory agencies to transport gas to the Unit's meter station.
- 6. <u>Illustration of projected Total Purchase Price assuming a fifty megawatt (50 MW) allocation at ninety-one percent (91%) capacity:</u>

Monthly Capacity Cost [initial amount]:	\$192,706	[=0.5802 ¢/kWh*]
Monthly Investment Cost [fixed amount]:	697,186	[=2.0990 ¢/kWh*]
Monthly Pipeline Demand Co [assuming total of transpor tation capacity demand charges = \$1,328,380]:		[=1.1846 ¢/kWh*]
CAPACITY CHARGE {unadjusted; see §3]:	\$1,283,358	[=3.8638 ¢/k W'h*]

Variable Fuel Supply Rate [assuming index adjustment and accounting for "pipeline gas" amounts]:

\$472,118** 1.4214 ¢/kWh

Variable Fuel Transportation Throughput Rate [assuming sum of pipeline throughput rates

= \$.4199/MMBTU]:

119,740**

0.3605 ¢/kWh

ENERGY CHARGE:

\$591,858**

1.7819 ¢/kWh

TOTAL PURCHASE PRICE: \$1,875,216

[=5.6457 ¢/kWh]

^{*} calculated by dividing the actual dollar amount by the following: (365 days/year)(1/12 year/month)(24 hours/day)(.91)(50,000 kW)

^{**} calculated by multiplying the actual ¢/kWh rate by the following: (365 days/year)(1/12 year/month)(24 hours/day)(.91)(50,000 kW)

APPENDIX C TO POWER PURCHASE AGREEMENT

Liability Insurance

From and after the Actual In-Service Date, the Seller shall take out, carry, and maintain, or cause to be taken out, carried, and maintained, comprehensive general liability insurance, including automobile and contractual liability, and liability arising out of aircraft or watercraft, if applicable, with a combined single limit per occurrence of a least five million dollars (\$5,000,000) applicable to bodily injury, sickness or death, and loss of or damage to property, subject to an aggregate limit of not less than five million dollars (\$5,000,000) for products and completed operations. Endorsements shall be included for X, C, and U hazards (blasting, collapse, and underground property damage), broad form property damage, and personal injury in addition to bodily injury.

L Nutlimbel69dertCl she

AMENDMENT TO POWER PURCHASE AGREEMENT

Amendment, dated as of this third (3d) day of August, 1990, by and between Commonwealth Electric Company, a Massachusetts corporation with offices located at 2421 Cranberry Highway, Wareham, Massachusetts (the "Company"), and Dartmouth Power Associates Limited Partnership, a Massachusetts limited partnership with its principal place of business at 8 Newbury Street, Suite 5, Boston, Massachusetts (the "Saller"), to Power Purchase Agreement, by and between the Company and the Saller, dated as of September 5, 1989 (the "Agreement").

SECTION ONE. Recitals.

- 1.1 The Company and the Seller entered into the Agreement, pursuant to which the Seller agreed to sell and deliver and the Company agreed to purchase and take delivery of a portion of the electric capacity and related energy to be produced by an electric generation facility (the "Unit"), which is to be constructed, owned, and operated by the Seller, at a site in Dartmouth, Massachusetts (the "Site"). In accordance with applicable law, the Agreement was submitted by the Company to the Massachusetts Department of Public Utilities (the "MDPU") for approval, which approval was received by order dated March 30, 1990; and was submitted by the Seller to the Federal Energy Regulatory Commission (the "FERC"), which agency is in the process of reviewing the Agreement as of the date hereof.
- 1.2 As set forth in the Agreement, the Unit was to utilize two gas turbines and was to be capable of generating approximately one hundred sixty-eight thousand, eight hundred kilowatts (168,800 kW) of electricity (the "Original Design Capacity").
- 1.3 Subsequent to the execution of the Agreement, the Seller determined, and duly notified the Company, that the Unit will utilize a single gas turbine and will be capable of generating approximately sixty-seven thousand, six hundred kilowatts (67,600 kW) of electricity.
- 1.4 Also as set forth in the Agreement, the Company was to purchase a portion of the electric capacity and related energy produced by the Unit equal to fifty megawatts (50 MW) divided by the Original Design Capacity (the "Original Entitlement").
- 1.5 Subsequent to the execution of the Agreement and the determination by the Seller to reduce the capability of the Unit as described above, the Seller offered to sell and deliver to the Company approximately seventeen thousand, six hundred kilowatts (17,600 kW) in addition to the Original Entitlement, such that the Company would purchase all of the electricity produced by the Unit. The Company has determined that the purchase of such additional electricity would benefit its ratepayers and would facilitate the administration of the Agreement, and accordingly the Company has accepted such offer of the Seller.
- 1.6 By virtue of the determination of the Seller to decrease the capability of the Unit and the acceptance by the Company of the Seller's offer to purchase

[A-82]

the entire output of the downsized Unit, several provisions in the Agreement must be modified. These provisions include definitional sections, the section governing the amount of the security deposit to be delivered by the Seller, the section governing the billing mechanism, the section governing the latter of credit to be delivered by the Seller, and the section setting forth the mechanism for calculating the price to be paid under the Agreement.

- 1.7 Although both the Seller and the Company have understood that the Unit was to be subject to economic dispatch by the New England Power Pool ("NEPOOL"), a provision governing such dispatchability was inadvertently omitted from the Agreement and the parties desire to insert such a provision into the Agreement. In addition, the parties desire to insert a provision into the Agreement protecting the Company and its ratepayers from any income tax liability that the Company might incur as a result of its accepting any contributed property from the Seller.
- 1.8 The Seller has indicated to the Company that it has made substantial progress with respect to securing necessary financing for the construction and operation of the Unit. Such progress notwithstanding, the Seller has requested that it be permitted to defer delivering to the Company the security deposit required pursuant to the Agreement until sixty (60) days following the approval of this Amendment by the MDPU, and that such security deposit be in the form of a letter of credit in lieu of cash. As an accommodation to the Seller, the Company has agreed to grant these requests of the Seller.
- 1.9 Accordingly, the Company and the Seller, each in consideration of the foregoing and of the agreements of the other, hereby agree as hereinafter provided.

SECTION TWO. The second introductory paragraph of the Agreement is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

The Seller plans to construct, own, and operate an electric generation facility, utilizing a single gas turbine and a supplementary-fired waste heat boiler with a dual inlet steam turbine, together with housings and other integral equipment, which will be capable of generating approximately sixty-seven thousand, six hundred kilowatts (67,600 kW) of electricity (the "Unit"). The Unit will be located at a site in the Town of Dartmouth, Massachusetts, which will be owned by the Seller, more particularly described in Appendix A attached hereto (the "Site"). The Seller wishes to sell and deliver and the Company wishes to purchase and take delivery of all of the electricity produced by the Unit, pursuant to the terms and conditions set forth in this Agreement.

SECTION THREE. Article 1 of the Agreement is hereby amended in accordance with the following:

- 3.1 The definition of <u>Actual In-Service Date</u> is amended by deleting "the Company's Entitlement of from such definition.
- 3.2 The definition of Company's Entitlement is deleted in its entirety.
- 3.3 The definition of Contract Capacity is deleted in its entirety.
- 3.4 The definition of <u>Delivered Energy</u> is smended by deleting "the Company's portion of from such definition.
- 3.5 The definition of <u>Design Capacity</u> is amended by deleting "one hundred sixty-eight thousand, eight hundred kilowatts (168,800 kW)" from such definition and substituting "sixty-seven thousand, six hundred kilowatts (67,600 kW)" in lieu thereof.
- 3.6 The following definition is to be inserted immediately before the definition of \overline{FERC} :

Economic Dispatch shall mean the operation of the Unit in accordance with such procedures as may be established by NEPOOL from time to time to foster the objective of satisfying the energy requirements of the participants of NEPOOL at the lowest practicable cost.

SECTION FOUR. Article 2.1 of the Agreement is hereby smended by deleting it in its entirety and substituting the following in lieu thereof:

The Seller agrees to sell and deliver and the Company agrees to purchase and take delivery of all electric capacity and related energy produced by the Unit during the term of this Agreement; provided, however, that in no event shall the Company be obligated to purchase and take delivery of electric capacity and related energy in excess of the Design Capacity.

SECTION FIVE. Article 2.4 of the Agreement is hereby amended by deleting up to the Company's Entitlement and related energy, from such article.

SECTION SIX. The following is to be inserted into the Agreement as Article 2.5:

The Unit shall be subject to Economic Dispatch at the direction of the Company or its designee. The Unit shall also be subject to changes in the level of its output at the direction of the Company or its designee, provided that such changes are within the Unit's reasonable design limitations.

2.5.1 If the Seller fails to dispatch the Unit as called for by the Company, then the Company shall calculate the uneconomic

incremental production costs it incurs that are attributable to such failure of the Seller (the "Incremental Production Cost Penalty"). The Company shall also not pay for any electric capacity or energy produced at the Unit as a result of the Seller's failure to comply with the Company's calls pursuant to this Article 2.5. The Company shall deduct any Incremental Production Cost Penalty from any payments due the Seller for any electric capacity and energy purchased by the Company during the Billing Period ("Net Billing Amount"). In the event that the Net Billing Amount for a Billing Period is due to the Company, such Net Billing Amount shall be billed to the Seller and the Seller shall reimburse the Company therefor according to the same standards as are established for payments to the Seller.

2.5.2 The Incremental Production Cost Penalty shall be the difference between (i) the production costs that the Company experienced during the period of the Seller's failure to dispatch the Unit as called for by the Company, and (ii) the production costs that the Company would have experienced during such period had the Seller complied with the Company's call to dispatch the Unit.

SECTION SEVEN. Article 4 of the Agreement is hereby amended by deleting it in its entirety and inserting the following in lieu thereof:

- 4.1 Within sixty (60) days following the date that the MDPU approves the amendment to this Agreement dated as of August 3, 1990, the Seller shall deliver to the Company an irrevocable letter of credit in favor of the Company (the "Security Deposit Letter of Credit"), from an issuer and in form and substance acceptable to the Company, in the amount of one million, two hundred twenty-eight thousand, six hundred seven dollars (\$1,228,607) as a security deposit (the "Security Deposit"). The Security Deposit is calculated as the sum of (i) one million, fourteen thousand dollars (\$1,014,000, the "Principal"), which is the product of sixty-seven thousand, six hundred kilowatts (67,800 kW, which is the Design Capacity) and fifteen dollars (\$15) per kilowatt; and (ii) two hundred fourteen thousand, six hundred seven dollars (\$214,607, the "Interest Component"), which is approximately equal to the simple interest that would accrue on the Principal between the date of this Agreement (i.e., September 5, 1989) and the Proposed In-Service Date (i.e., July 1, 1992) at a rate of seven and one-half percent (71%) per annum.
- 4.2 If, prior to the Proposed In-Service Date, the project is cancelled or abandoned or this Agreement is terminated, or if this Agreement is terminated in accordance with the provisions of Article 3.2, the Company may draw under the Security Deposit Letter of Credit an amount equal to a percentage of the Interest Component plus a percentage of the Principal, which percentage in both cases shall be equal

to the ratio of (i) the elapsed time between the date of this Agreement and the cancellation date, to (ii) the total time between the date of this Agreement and the Proposed In-Service Date; provided, however, that if the reason for such cancellation, abandonment, or termination is the failure of the FERC to approve or accept this Agreement, in a form acceptable to both parties, the Company shall deliver to the issuer of the Security Deposit Letter of Credit a notice of cancellation of such letter of credit.

- 4.3 If, after the Proposed In-Service Date, the project is cancelled or abandoned or this Agreement is terminated, the Company may draw upon the entire Security Deposit Letter of Credit; provided, however, that if the reason for such cancellation, abandonment, or termination is the inability or refusal of the Company to interconnect, the Company shall deliver to the issuer of the Security Deposit Letter of Credit a notice of cancellation of such letter of credit.
- 4.4 If the Actual In-Service Date occurs on or before the Proposed In-Service Date, the Company shall deliver to the issuer of the Security Deposit Letter of Credit a notice of cancellation of such letter of credit.
- 4.5 If the Actual In-Service Date occurs within twenty-four (24) months after the Proposed In-Service Date, the Company may draw under the Security Deposit Letter of Credit an amount equal to a percentage of the Interest Component, which percentage shall be equal to the ratio of (i) the elapsed time between the Proposed In-Service Date and the Actual In-Service Date, to (ii) the total time between the date of this Agreement and the Proposed In-Service Date; provided, however, that if the reason for the occurrence of the Actual In-Service Date after the Proposed In-Service Date is the inability or refusal of the Company to interconnect, the Company shall deliver to the issuer of the Security Deposit Letter of Credit a notice of cancellation of such letter of credit.
- 4.6 If the Actual In-Service Date does not occur within twenty-four (24) months after the Proposed In-Service Date, the Company may draw upon the entire Security Deposit Letter of Credit and may terminate this Agreement according to the provisions of Article 3.2.

SECTION EIGHT. Article 5 of the Agreement is hereby smended by correcting the spelling of the word "calculating" found at the beginning of the fifth (5th) line of such article.

SECTION NINE. Article 8.1 of the Agreement is hereby amended by deleting the third sentence of such article in its entirety and inserting the following in lieu thereof:

Any amount payable hereunder not paid within thirty (30) days (or, if such date is not a working day, then by the next working day thereafter) from the date of receipt by the Company of all actual metered values for the Billing Period shall be subject to a late payment charge at the annual rate of two (2) percentage points over the current interest rate on prime commercial loans then in effect at the First National Bank of Boston from the date of receipt of such monthly statement until the date of payment.

SECTION TEN. Article 15.2 of the Agreement is hereby amended by deleting "the Company's Entitlement thereto" from such definition and substituting "such electricity" in lieu thereof.

SECTION ELEVEN. Article 15.4 of the Agreement is hereby amended by deleting the schedule currently contained in such article and substituting the following in lieu thereof:

from	through	amount
Actual In-Service Date	December 31, 1993	\$ 0
January 1, 1994 January 1, 1995	December 31, 1994 remainder of term	\$179,206
January 1, 1993		40
	of Agreement	\$0

SECTION TWELVE. The following is to be inserted into the Agreement as Article 17.7:

The Seller shall reimburse the Company for any costs relating to income tax liabilities incurred by the Company as a result of its acceptance of any contributed property from the Seller.

SECTION THIRTEEN. Appendix B to the Agreement is hereby amended in accordance with the following:

13.1 Article 2.1 of Appendix B is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

Monthly Capacity Cost: The initial Monthly Capacity Cost shall equal the product of the Design Capacity and three thousand, eight hundred fifty-four dollars and twelve cents per megawatt-month (\$3,854.12/MW-mo.). The Monthly Capacity Cost shall be subject to the following adjustments.

13.2 Article 2.2 of Appendix B is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

Monthly Investment Cost: The Monthly Investment Cost shall equal

the product of the Design Capacity and thirteen thousand, nine hundred forty-three dollars and seventy-two cents per megawatt-month (\$13,843.72/MW-mo.).

- 13.3 Article 2.3 of Appendix B is hereby amended by deleting "the product of 0.2962 (which is equal to the Contract Capacity divided by the Design Capacity) and from such article.
- 13.4 Article 3 of Appendix B is hereby amended by deleting the example currently contained in such article and substituting the following in lieu thereof:

13.5 Article 6 of Appendix B is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

Illustration of projected Total Purchase Price assuming delivery of sixty-seven thousand, six hundred kilowatts (67,600 kW) at a ninety-one percent (91%) availability:

Monthly Capacity Cost [initial amount: 8260,538,51 [= 0.5802¢/kWh+] \$3854.12/MW x 67.6 MW]: Monthly Investment Cost [fixed amount: 942,595.47 [= 2.0990¢/kWh*] \$13.943.72/MW x 67.6 MW]: Monthly Pipeline Demand Cost [assuming total of transportation capacity demand [= 1.1846¢/kWh*] charges = \$531,965]: 531,965.00 CAPACITY CHARGE \$1,735,098.90 [= 3.8638¢/kWh*] [unadjusted; see \$3]:

Variable Fuel Supply Rate [assuming commodity rate of \$1.425/MMBTU following index adjustment and accounting for "pipeline gas" amounts: .008583 MMBTU/kWh x \$1.425/MMBTU]:

\$549,243.50** 1.22314/kWh

Variable Fuel Transportation Throughput Rate [assuming sum of pipeline throughput rates = 42¢/MMBTU: .008583

MMBTU/kWh x \$0.42/MMBTU]:

161,882.29**

0.3605¢/kWh

ENERGY CHARGE:

\$711,125.79

1.5836¢/kWh

TOTAL PURCHASE PRICE:

\$2,446,224.77

i = 5.4474 ¢/kWh*

* calculated by dividing the actual dollar amount by the following: (365 days/yr.)(1/12 yr./mo.)(24 hrs./day)(.91)(67,600 kW)

following: (365 days/yr.)(1/12 yr./mo.)(24 hrs./day)(.91)(67,600 kW)

SECTION FOURTEEN. The Company shall submit this Amendment to the MDPU, and the Seller shall submit this Amendment to the FERC, for the approval of each of the MDPU and the FERC. This Amendment shall become effective upon the receipt of such approvals in form and substance acceptable to the Company and the Seller.

In witness whereof, the Company and the Seller have caused this Amendment to be duly executed as of the day and year first above written.

DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP, By EMI/Dartmouth, Inc., its General Partner,

E:\TTL\WEE\\$9Darthe.MEE

SECOND AMENDMENT TO POWER PURCHASE AGREEMENT

AMENDMENT dated as of this 23rd day of June, 1994, by and between Commonwealth Electric Company, a Massachusetts corporation with a principal place of business at One Main Street. Cambridge, Massachusetts ("the Company") and Dartmouth Power Associates Limited Partnership, a Massachusetts Limited Partnership with a place of business at One Energy Road, Dartmouth, Massachusetts ("Seller"), to the Power Purchase Agreement by and between the Company and Seller, dated as of September 5. 1989 and amended by an Amendment to Power Purchase Agreement by and between the Company and Seller, dated as of August 3, 1990 (as amended, "the Agreement").

WHEREAS the Company, pursuant to the Agreement, purchases all electricity produced by the Seller's 67,600 KW generating facility located at One Energy Road, in Dartmouth. Massachusetts ("the Unit"); and

WHEREAS the Total Purchase Price for electricity purchased by the Company pursuant to the Agreement includes a component known as the Monthly Energy Charge, which is defined (in section 4 of Appendix B of the Agreement) as including a component known as the Variable Fuel Supply Rate; and

WHEREAS, the Variable Fuel Supply Rate is calculated, in part, by reference to the following indices for natural gas pipeline service: The "Tennessee CD-6" index (for service pursuant to the CD-6 rate under a FERC approved tariff by Tennessee Gas Pipeline Company, "Tennessee") and (2) the "Algonquin F-1" index (for service pursuant to the F-1 rate under a FERC approved tariff by Algonquin Gas Transmission Company, "Algonquin"); and

WHEREAS, both the Algonquin F-1 rate and the Tennessee CD-6 rate have ceased to be available as a consequence of the restructuring of services of each of those respective pipelines pursuant to Federal Energy Regulatory Commission ("FERC") Order No. 636; and

WHEREAS, the Variable Fuel Supply Rate is calculated, in, part, by reference to an index calculated by the Alberta Petroleum Marketing Commission for the Minister of Energy for the Province of Alberta, Canada known as the Alberta Market Price (AMP); and

WHEREAS, the AMP, effective December 31, 1993 is no longer published; and

WHEREAS, the Company and Seller have agreed upon the terms of an index to replace the F-1, CD-6 and AMP indices for purposes of calculating the Variable Fuel Supply Rate, and desire to execute this Amendment for purposes of memorializing their agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the Company and Seller agree as follows:

[A-87]

1. That for the purposes of determining the Variable Fuel Supply Rate as referenced in section 4.1 of Appendix B of the Agreement, the last paragraph (including the table) of said section shall be deleted in its entirety and the following shall be substituted in place thereof:

The Initial Variable Fuel Supply Rate shall be adjusted monthly to reflect the proportional change in the T2 index (as hereinafter defined) and the Alberta Reference Price, using the year 1988 as a base, and shall be calculated pursuant to the provisions of subsection 4.14.

4.14 For each Billing Period during the term of this Agreement, the Variable Fuel Supply Rate shall equal the product of (i) the Initial Variable Fuel Supply Rate and (ii) an Index Factor, the numerator of which shall be "N1" (as hereinafter defined) and the denominator of which shall be "D1" (as hereinafter defined);

Where:

"N1" shall equal the sum of (i) "T2" (as hereinafter defined) and (ii) the available Alberta Reference Price for the billing month.

"D1" shall equal two (2) multiplied by "AFC-1".

"T2" shall be calculated as the arithmetic average of the following four indices for the Billing Period:

- (a) the Offshore and Louisiana (Zone 1) index for Tennessee Gas Pipeline Company;
- (b) the Louisiana and Texas (Zone 0) index for Tennessee Gas Pipeline Company:
- (c) the arithmetic average of the East Texas and South Texas indices for Texas Eastern Transmission Corporation;
- (d) the arithmetic average of the East Louisiana and West Louisiana indices for the Texas Eastern Transmission Corporation.

all as reported in the table entitled "Prices of Spot Gas Delivered to Pipelines" in the first of the month edition of Inside F.E.R.C.'s Gas Market Report, provided that if any of the above described indices, or their successors, are not reported in any month, T2 shall be equal to the arithmetic average of the indices that are reported, provided that at least three of the above indices are so reported. If at least three of the above indices are not reported in any month, then the Henry Hub Cash Price, as reported in the first of the month edition of Inside F.E.R.C.'s Gas Market Report will serve as a Proxy for T2. However, the Henry Hub Cash Price shall not be used as a Proxy for T2 for two consecutive months unless agreed to by both parties.

"AFC-1" shall equal \$1.486 per MMBTU. This value is the sum of (i) the average "T2" value for calendar year 1988 and (ii) the average Alberta Market Price for calendar year 1988, divided by two (2).

The "Alberta Reference Price" is the gas reference price prescribed by the Minister of Energy for the Province of Alberta, Canada for the calendar month of the Billing Period (for example, the gas reference price published by the Minister for June, 1994 would be the Alberta Reference Price used to calculate the Variable Fuel Supply Rate for June, 1994 but actually reflect data for the month of April, 1994). The data is published by the Alberta Petroleum Marketing Commission.

- 2. The following shall be inserted as section 4.3 of Appendix B of the Agreement:
 - 4.3 Redetermination of the Variable Fuel Supply Rate:

Either the Seller or the Company shall have the right to require a redetermination of the provisions of subsection 4.14 of this Appendix relating to the composition of the Index Factor, effective upon November 1 of each of the following years: 1997, 2002, 2007 and 2012 (the "Redetermination Dates"). A party electing to require such a redetermination shall provide written notice (the "Redetermination Notice") to the other party no less than six (6) months and no more than one (1) year before the Redetermination Date on which such redetermination is to take effect.

If a Redetermination Notice is not served by either party upon the other party during the specified time period, the Variable Fuel Supply Rate in effect immediately prior to the relevant Redetermination Date shall continue to be calculated in the manner in effect prior to such Redetermination Date. If a Redetermination Notice is served within the time required, then the provisions of subsections 4.3.1 through 4.3.4 below shall apply.

- 4.3.1 Following receipt of a Redetermination Notice, the parties will negotiate in good faith to determine mutually satisfactory modifications to the Variable Fuel Supply Rate.
- 4.3.2 If the parties are unable to agree upon renegotiated Variable Fuel Supply Rate provisions on or before the date which is three (3) months prior to the Redetermination Date, either party may elect by written notice (the "Arbitration Notice") to the other party, to refer the redetermination of the Variable Fuel Supply Rate provisions to binding arbitration pursuant to Article 12 of the Agreement. If an Arbitration Notice is not issued by either party before the date which is three (3) months prior to the Redetermination Date, and the parties have not agreed upon renegotiated Variable Fuel Supply Rate provisions on or before the Redetermination Date, the Variable Fuel Supply Rate provisions shall continue to be calculated in the manner in effect immediately prior to such Redetermination Date.
- 4.3.3 During the renegotiation of the Variable Fuel Supply Rate provisions and during any arbitration relating thereto, the parties and the arbitrators

shall work to modify the Index Factor, N1/D1, as defined in subsection 4.14. such that the renegotiated Variable Fuel Supply Rate provisions will yield:

- (a) a price of natural gas that reflects the value of other long-term baseload gas supplies delivered at the city gate to local electric utility companies in Massachusetts and Rhode Island, where such prices have been adjusted by subtracting all applicable costs (at 100% load factor) of firm pipeline transportation from the wellhead to the respective city gates, including commodity charges, demand charges and fuel gas costs.
- (b) a Variable Fuel Supply Rate that the parties anticipate will enable the Unit to operate at an average capacity factor of at least sixty percent (60%) over the following five year period.
- in the event that the objectives in (a) and (b) above are in conflict.
 objective (b) relating to operation at a capacity factor of at least sixty percent (60%) shall be considered the controlling factor.
- 4.3.4 Whenever there is a redetermination of the Variable Fuel Supply Rate in progress, transactions under this Agreement shall continue in the same fashion as they were conducted before such redetermination was initiated. without prejudice to the rights of either party under this section 4.3, pending a redetermination resulting from renegotiation or arbitration. The Variable Fuel Supply Rate in effect prior to such redetermination shall be applied to all electricity delivered pursuant to this Agreement during the time period after the Redetermination Date until the day upon which a renegotiated or arbitrated decision is reached and issued (in this section, the "Subject Period"). whereupon the Variable Fuel Supply Rate Provisions as determined by the renegotiation or arbitration shall, unless otherwise agreed by the parties, be applied to the Subject Period with interest (at the annual rate of two percentage points over the current interest rate on prime commercial loans then in effect at the First National Bank of Boston) and with appropriate adjustments (i.e., payment by the Company to the extent the Redetermined Variable Fuel Supply Rate is greater; payment by the Seller to the extent the Redetermined Rate is less) being made between the parties to reflect the change in the Variable Fuel Supply Rate Provisions.
- 3. The Company shall submit this Amendment to the MDPU, and the Seller shall submit this Amendment to the FERC, for the approval of each of the MDPU and the FERC. This Amendment shall become effective upon the receipt of such approvals in form and substance acceptable to the Company and the Seller.
- 4. All other terms and conditions of said Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Company and the Seller have caused this Amendment to be duly executed as of the day and year first above written.

DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP BY EMI/DARTMOUTH, INC.,

ITS GENERAL PARTNER

Title: Willist

COMMONWEALTH ELECTRIC COMPANY

By: Kimes T. Vice President

Title: Power Supply & Transmission

THIRD AMENDMENT TO POWER PURCHASE AGREEMENT

AMENDMENT dated as of this 25x day of April, 1996, by and between Commonwealth Electric Company, a Massachusetts corporation with a principle place of business at One Main Street, Cambridge, Massachusetts (the "Company") and Dartmouth Power Associates Limited Partnership, a Massachusetts Limited Partnership with a place of business at One Energy Road, Dartmouth, Massachusetts ("Seller"), to the Power Purchase Agreement by and between the Company and Seller, dated as of September 5, 1989 and amended by an Amendment to Power Purchase Agreement by and between the Company and Seller, dated as of August 3, 1990, and by a Second Amendment to Power Purchase Agreement between the Company and Seller, dated as of June 23, 1994 (as amended, the "Agreement").

WHEREAS, the Company and the Seller have had disputes as to the interpretation and application of the terms of the Agreement which have now been resolved to mutual satisfaction and which the parties seek to confirm and memorialize by this agreement;

WHEREAS, the Company and Seller wish to establish procedures allowing, where mutually beneficial, for Commonwealth to purchase electricity from other market sources on a short-term basis in replacement of the purchases of electricity that would otherwise occur pursuant to the Agreement; and

WHEREAS, the Company and Seller wish to establish a commitment to purchase and sell certain capacity and related energy generated by the expansion to the Seller's generating plant (the "Unit") in excess of the entitlements to the Unit now subject to the Agreement.

NOW, THEREFORE, in consideration of the premises and mutual agreement set forth herein, receipt and adequacy of which is mutually acknowledge, the parties agree as follows:

SECTION 1. Confirmation as to Monthly Pipeline Transportation Demand Cost. The parties agree and confirm their intention and understanding that the applicable and approved pipeline transportation capacity demand rates under Section 2.3 of Appendix B of the Agreement for each Billing Period (as defined in the Agreement) shall hereinafter (i) be the demand rates specified in such Section 2.3 as then-effective for the Billing Period and (ii) be multiplied by the following contractual pipeline capacity volumes as the "appropriate amount of gas" thereunder:

NOVA	R450.9 10 ³ M ³
	D445.2 10 ³ M ³
TCPL	400.9 10 ³ M ³
Iroquois	14,150 Decatherm
Tennessee	14,010 Decatherm
Algonquin	14,010 Decatherm.

and that billing adjustments and credits shall be made from time to time to include and reflect any and all amounts of related pipeline refunds received by or credited to Seller or surcharges applied to Seller, all as pertaining to such demand rates. Seller will make available to Company for review any and all pipeline records or invoices necessary to determine the existence and applicability of any such charges, refunds, and surcharges, and Seller shall further provide to Company an annual reconciliation of such amounts from each of the specified pipelines.

SECTION 2. Short Term Power Purchases. Seller and Company agree that, from time to time, they may agree to consensual arrangements to allow and accommodate the short-term purchase by Company of electricity from other market sources in replacement of the purchase of electricity that would otherwise occur pursuant to the Agreement, and that the terms and conditions of such arrangements shall be negotiated on a case-by-case basis, but that the Agreement shall otherwise remain and continue in full force and effect.

SECTION 3. Additional Current Capacity of the Unit. Seller will run its winter and summer claimed capability tests in accordance with NEPOOL criteria using its best efforts to provide a maximum claimed capability of the existing Unit for the period subject to this Section 4 in excess of 68.18 MW at 20°F and 61.80 MW at 90°F, its current respective winter and summer normal claimed capability ratings. Such excess amount of the Unit's current winter or summer capacity (but not any capacity relating to future improvements or expansions to the Unit or any additional generation facilities located at the Site) up to 6 MW will be referred to as the "Extra Capacity." Pursuant to Seller's Rate Schedule FERC No. 3 and its marketing authority thereunder, Seller agrees to provide and sell, and Company agrees to take, the Extra Capacity during the eight-month winter season and four-month summer season, respectively, for a fifty-four (54) month period commencing upon receipt of all required regulatory approvals hereof and the first receipt by Commonwealth of additional NEPOOL capacity credit pursuant hereto. The electricity from such Extra Capacity could be called upon and provided only during System Emergency ("Op4") conditions and during any capability test of the type described in the first sentence of this section, as defined by the applicable NEPOOL and NEPEX guidelines. Seller would provide a new Max Claimed Capability Temperature/Output Matrix to Company for purposes of NEPOOL reporting and dispatch. During the dispatch of the Extra Capacity during any such System Emergency conditions, Company would pay Seller the fuel and variable transportation costs (but no incremental demand charges for the Extra Capacity) associated therewith equal to Seller's actual costs, as adjusted by the contractual heat rate, which fuel the parties anticipate would be natural gas or No.2 fuel oil (.05% sulphur or such distillate fuel oil as Seller is permitted to burn.) Such transactions will be reported to the FERC in the normal course pursuant to the reporting requirements established in connection with the acceptance by the FERC of Seller's Rate Schedule FERC No. 3. The benefits and obligations of this Section 3 are related to the special inter-relationship of Seller and Company and may not be assigned by Company to an unaffiliated party and shall terminate upon any assignment or transfer by Company to an unaffiliated third party of its interests or obligations under the Agreement.

SECTION 4. Gas Marketing Revenues. Company confirms that, in the absence of an express subsequent agreement to the contrary (including, without limitation, any such agreements made in connection with arrangements for alternative short-term power purchases pursuant to Section 2 hereof), all revenues from Seller's sale of gas or transportation entitlements are exclusively Seller's and will not result in any offset of the charges to Company under the Agreement, provided that such sales do not prevent Seller from meeting its reliability and availability obligations under the Agreement.

SECTION 5. The Company shall submit this Amendment to the MDPU, and the Seller shall submit this Amendment to the FERC, for the approval of each of the MDPU and the FERC. This Amendment shall become effective upon the receipt of such approvals in form and substance acceptable to the Company and the Seller.

SECTION 6. All other terms and conditions of said Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Company and the Seller have caused this Amendment to be duly executed as of the day and year first above written.

DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP

By: EMI/DARTMOUTH, INC., its general

partner

Name;

Title

COMMONWEALTH ELECTRIC COMPANY

Title: James J. Keane

Vice President - Power

Supply & Transmission

210504 1

FOURTH AMENDMENT TO POWER PURCHASE AGREEMENT

This Fourth Amendment to Power Purchase Agreement, dated as of the 15 day of October, 2002 (the "Amendment"), is made by and between COMMONWEALTH ELECTRIC COMPANY, a Massachusetts corporation with its place of business at 800 Boylston Street, Boston, MA 02199 ("Buyer") and DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP, a Massachusetts limited partnership with its place of business at 1001 Louisiana Street, Houston, TX 77002 ("Seller", and collectively with Buyer, the "Parties").

WHEREAS, the Parties have previously entered into a Power Purchase Agreement, dated as of September 5, 1989, as amended by 1) an Amendment to Power Purchase Agreement, dated as of August 3, 1990, 2) a Second Amendment to Power Purchase Agreement, dated as of June 23, 1994, 3) a Third Amendment to Power Purchase Agreement, dated as of April 23, 1996 (as amended, the "Power Purchase Agreement");

WHEREAS, pursuant to the Power Purchase Agreement, Buyer pays to Seller each Billing Period the sum of the Monthly Capacity Charge and the Monthly Energy Charge;

WHEREAS, the Monthly Energy Charge is comprised of various components, one of which is calculated by multiplying the Delivered Energy for the prior Billing Period by the sum of the Variable Fuel Transportation Throughput Rate and the Variable Fuel Supply Rate;

WHEREAS, the Variable Fuel Supply Rate is adjusted monthly by an Index Factor, one component of which includes the Offshore and Louisiana (Zone 1) index for Tennessee Gas Pipeline Company ("Tennessee Zone 1 Index"); and

WHEREAS, the Parties wish to recognize that the Tennessee Zone 1 Index is no longer reported and in accordance with the terms of the Power Purchase Agreement such index shall be succeeded by the arithmetic average of the Tennessee Gas P/L Louisiana 500 Leg index and the Tennessee Gas P/L Louisiana 800 Leg index;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. All terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Power Purchase Agreement.
- 2. In Article 4.14 of Appendix B of the Power Purchase Agreement, the definition of "T2" is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

"T2" shall be calculated as the arithmetic average of the following four indices for the Billing Period:

- (a) the arithmetic average of the Tennessee Gas P/L Louisiana 500 Leg index and the Tennessee Gas P/L Louisiana 800 Leg index;
- (b) the Louisiana and Texas (Zone 0) index for Tennessee Gas Pipeline Company;
- (c) the arithmetic average of the East Texas and South Texas indices for the Texas Eastern Transmission Corporation; and
- (d) the arithmetic average of the East Louisiana and West Louisiana indices for the Texas Eastern Transmission Corporation;

all as reported in the table entitled "Prices of Spot Gas Delivered to Pipelines" in the first of the month edition of Inside F.E.RC.'s Gas Market Report, provided that if any of the above described indices, or their successors, are not reported in any month, T2 shall be equal to the arithmetic average of the indices that are reported, provided that at least three of the above indices are so reported. If at least three of the above indices are not reported in any month, then the Henry Hub Cash Price, as reported in the first of the month edition of Inside F.E.R.C.'s Gas Market Report will serve as a Proxy for T2. However, the Henry Hub Cash Price shall not be used as a Proxy for T2 for two consecutive months unless agreed to by both parties.

- 3. This Amendment shall be filed by Buyer for review and approval with the Massachusetts Department of Telecommunications and Energy (MDTE). Seller agrees to reasonably cooperate with Buyer in the activities necessary to obtain such approval, provided that under no circumstances shall Seller be obligated to amend the terms of this Amendment or the Power Purchase Agreement to obtain such approval.
- 4. This Amendment shall be effective only as to the specific provision of the Power Purchase Agreement amended hereby. All other provisions of the Power Purchase Agreement shall remain unchanged.
- 5. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
- 6. This Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to conflict of laws provisions thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first above written.

COMMONWEALTH ELECTRIC

COMPANY, a Massachusetts corporation

Name Douglas Horan

Title: Sr, Vice President, Strategy
Law & Policy

DARTMOUTH POWER ASSOCIATES LIMITED PARTNERSHIP,

NO

a Massachusetts limited partnership

1 000 P

By: JAOKO

Title: Voc Marsin Director

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-2 Page 1 of 1

	Base	Dartmouth With	
	Case	Securitization	Customer
Year	Revenues	Revenues	Savings
Col. A	Col. B	Col. C	Col. D
2004	\$ 74.654	\$ 74.654	\$ -
2005	174.902	174.902	\$ -
2006	178.400	178.400	\$ -
2007	138.764	151.548	\$ (12.784)
2008	98.448	102.139	\$ (3.691)
2009	76.608	79.069	\$ (2.461)
2010	76.096	77.433	\$ (1.337)
2011	75.796	76.058	\$ (0.262)
2012	76.565	75.719	\$ 0.846
2013	74.217	54.849	\$ 19.368
2014	76.517	51.280	\$ 25.237
2015	75.539	50.249	\$ 25.290
2016	58.196	33.080	\$ 25.116
2017	14.584	5.517	\$ 9.067
2018	5.357	5.357	\$ -
2019	5.094	5.094	\$ -
2020	5.030	5.030	\$ -
2021	5.321	5.321	\$ -
2022	2.803	2.803	\$ -
2023	1.160	1.160	\$ -
2024	0.404	0.404	\$ -
2025	0.265	0.265	\$ -
2026	0.345	0.345	<u>\$</u> -
Total	\$ 1,295.065	\$ 1,210.676	\$ 84.389
8.200%	\$ 891.737	\$ 862.074	\$ 29.663

Discounted at Commonwealth After Tax Discount Rate used in the Company's Retructuring Filing

Commonwealth Electric Company Transition Charge Calculation \$ in Millions

		Transition	Revenues		Total		Prior			(Over)
	GWH	Charge	for Delivered	Fixed	Variable	Other	Year	Interest		Under
Year	Delivered	Billed	GWH	Component	Component	Adjustment	Deferral	on Deferral	Expenses	Collection
Col. A 2002	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K \$ 81.510
2003	4,173.546	2.819	\$ 117.657	\$ 0.532	\$ 138.189	\$ (5.762)	\$ 81.510	\$ 3.122	\$ 217.591	99.934
2004	4,202.750	1.776	74.654	0.494	108.669	1.589	99.934	2.638	213.324	138.670
2005	4,286.805	4.080	174.902	0.458	108.888	2.034	138.670	2.288	252.338	77.436
2006	4,372.541	4.080	178.400	0.418	120.437	1.915	77.436	1.278	201.484	23.084
2007	4,459.992	3.111	138.764	0.382	113.006	1.911	23.084	0.381	138.764	-
2008	4,549.192	2.164	98.448	0.343	96.284	1.821	-	-	98.448	-
2009	4,640.176	1.651	76.608	0.305	74.357	1.946	-	-	76.608	-
2010	4,732.980	1.608	76.096	-	74.575	1.521	-	-	76.096	-
2011	4,827.640	1.570	75.796	-	74.591	1.205	-	-	75.796	-
2012	4,924.193	1.555	76.565	-	75.523	1.042	-	-	76.565	-
2013	5,022.677	1.478	74.217	-	73.762	0.455	-	-	74.217	-
2014	5,123.131	1.494	76.517	-	75.990	0.527	-	-	76.517	-
2015	5,225.594	1.446	75.539	-	75.025	0.514	-	-	75.539	-
2016	5,330.106	1.092	58.196	-	57.830	0.366	-	-	58.196	-
2017	5,436.708	0.268	14.584	-	14.138	0.446	-	-	14.584	-
2018	5,545.442	0.097	5.357	-	4.923	0.434	-	-	5.357	-
2019	5,656.351	0.090	5.094	-	4.770	0.324	-	-	5.094	-
2020	5,769.478	0.087	5.030	-	4.612	0.418	-	-	5.030	-
2021	5,884.868	0.090	5.321	-	4.908	0.413	-	-	5.321	-
2022	6,002.565	0.047	2.803	-	2.504	0.299	-	-	2.803	-
2023	6,122.616	0.019	1.160	-	0.755	0.405	-	-	1.160	-
2024	6,245.068	0.006	0.404	-	-	0.404	-	-	0.404	-
2025	6,369.969	0.004	0.265	-	-	0.265	-	-	0.265	-
2026	6,497.368	0.005	0.345	-	-	0.345	-	-	0.345	-

- Col. B: 2003 12 months actual; 2004 5 months actual, 7 months forecast; years 2005 and beyond assumes 2% growth per annum.
- Col. C: 2003 & 2004 = Col. D / Col. B; 2005 & 2006 = Maximum Transition Charge rate; Post 2006 = Col. J / Col. B.
- Col. D: 2003 per Page 2, Line 15; 2004 5 months actual, 7 months forecast; 2005 2006 = Col. B * Col. C; Post 2006 = Col. J.
- Col. E: Page 3, Col. H.
- Col. F: Page 4, Col. M.
- Col. G: Page 5, Col. L.
- Col. H: Col. K prior year.
- Col. I: Col. H times interest rate on customer deposits; 2002 ending balance = 3.83%; 2003 ending balance = 2.64%; Post 2003 = 1.65%.
- Col. J: Sum Cols. E thru I.
- Col. K: 2002 per D.T.E. 02-80B (Settlement); 2003 and later = Col. J Col. D.

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-3 Page 2 of 15

Commonwealth Electric Company Actual 2003 Transition Revenues \$ in Millions

Line	Description	GWH	A/C #	Pe	Book \$	 Total
1	2003 Transition Billed Revenues:					
2	Residential Transition	2,064.405	440160	\$	56.348	
3	Commercial Transition	1,734.871	442500		47.014	
4	Industrial Transition	366.634	442430		9.471	
5	Street Light Transition	16.039	444060		0.437	
6	Total Billed Revenues	4,181.949				\$ 113.270
7	2003 Transition Unbilled Revenues:			,	√alue	
8	Less: Residential Transition Unbilled @ 12/31/02	(91.151)				
9	Plus: Residential Transition Unbilled @ 12/31/03	87.671	440162	\$	2.145	
10	Less: Industrial Transition Unbilled @ 12/31/02	(18.078)		·		
11	Plus: Industrial Transition Unbilled @ 12/31/03	16.734	442435		0.360	
12	Less: Commercial Transition Unbilled @ 12/31/02	(81.065)				
13	Plus: Commercial Transition Unbilled @ 12/31/03	77.486	442505		1.882	
14	Total Unbilled Revenues	(8.403)			_	 4.387
15	Total 2003 Transition Revenues	4,173.546	2.819			\$ 117.657

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-3 Page 3 of 15

Commonwealth Electric Company Summary of Transition Charge - Fixed Component \$ in Millions

	Commonwealth El	ectric Company		Residual Value Credit							
	Pre-Tax Return on	Amortization of	Pre-Tax Return on	Amortization of	Pre-Tax Return on	Amortization of	_				
	Generation	Generation	Commonwealth	Commonwealth	Canal Related	Canal Related	Net				
	Related	Related	Generation	Generation	Generation	Generation	Fixed				
Year	Assets	Assets	Recovery/(Proceeds)	Proceeds) Recovery/(Proceeds) Recovery		Recovery/(Proceeds)	Component				
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H				
2003	\$ 0.103	\$ 0.157	\$ 0.041	\$ 0.114	\$ 0.099	\$ 0.018	\$ 0.532				
2004	0.087	0.157	0.034	0.114	0.084	0.018	0.494				
2005	0.071	0.157	0.028	0.114	0.070	0.018	0.458				
2006	0.055	0.157	0.022	0.114	0.052	0.018	0.418				
2007	0.039	0.157	0.015	0.114	0.039	0.018	0.382				
2008	0.023	0.157	0.009	0.114	0.022	0.018	0.343				
2009	0.008	0.152	0.003	0.110	0.008	0.024	0.305				

Note: Amounts per Exhibit COM-JFL-2(DTE 03-118(Supp)).

Col. H = Sum of Columns B through G.

Commonwealth Electric Company Summary of Transition Charge - Variable Component \$ in Millions

					Actual			Revenue				
			Actual		Transmission		Actual	Credits &			Reversal of	
Year	Actual Nuclear Decomm	Actual Power Total Obligations	Power Contracts Market Value	Net Power Obligation	In Support Of Remote Generating Units	Actual Power Contract Buyouts	Payments in Lieu of Property Taxes	Damages, Costs, or net Recoveries	Wholesale Credits/Debits	Rate Design Adjustment	Prior Year Rate Design Adjustment	Actual Total Variable Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018		\$ 207.695 228.753 193.719 190.985 178.157 161.485 135.859 139.106 141.971 141.492 142.495 142.302 143.182 94.418 23.907 7.963	\$ 87.684 128.263 89.767 73.901 67.812 67.296 63.882 66.898 69.382 67.904 70.602 68.174 70.024 38.043 11.333 4.643			\$ 12.461 5.309 - - - - - - - - - - - - - - - - - - -	\$ 2.089 1.430 1.375 1.265 0.660 0.110 0.110 0.110 0.055			\$ 1.372 (0.275) - - - - - - - - - - - - - - - - - - -		\$ 138.189 108.669 108.888 120.437 113.006 96.284 74.357 74.575 74.591 75.523 73.762 75.990 75.025 57.830 14.138 4.923
2019	_	7.963	4.837	3.126	1.644	_	_	_	_	_	_	4.770
2020	_	7.963	5.038	2.925	1.687	-	_	_	_	_	_	4.612
2021	_	7.963	5.245	2.718	2.190	_	_	_	_	_	_	4.908
2022	_	7.963	5.459	2.504	-	-	_	_	_	_	_	2.504
2023	-	2.654	1.899	0.755	-	-	-	-	-	-	-	0.755

Legend:

- Col. B: Page 6, Col. E.
- Col. C: 2003 Exhibit COM-JFL-4, Page 3, Line 16(DTE 03-118(Supp)); 2004 2023 Page 13.
- Col. D: 2003 Exhibit COM-JFL-4, Page 2, Line 20(DTE 03-118(Supp)); 2004 2023 Page 14.
- Col. E: Col. C Col. D.
- Col. F: Page 7, Col. G.
- Col. G: CPC Lowell buyout payment, 54 months starting December 1999. 2003 includes Seabrook Buyout Adjustment = (\$0.280).
- Col. H: Commonwealth's 11% share of the Boston Edison Pilgrim property tax liability.
- Col. I: Commonwealth's 11% share of the Boston Edison Pilgrim NEIL credit, Maxey Flats payment and DOE/SNF Legal Fees.
- Col. K: Exhibit COM-HCL-6.
- Col. L: Reversal of Prior Year Rate Design Adjustment (-Col. K(prior year)).
- Col. M: Col. B + Col. E + Col. F + Col. G + Col. H + Col. I + Col. J + Col. K + Col. L.

Commonwealth Electric Company Summary of Transition Charge - Other Adjustments \$ in Millions

	EIS		Gain on				Lowell	Pilgrim			-
	Return on	Mitigation	Sale of		Hydro	Fixed	Cogen.	Contract	Seabrook	Seabrook	Total
	Investmen	t Incentive	Utility	Other	Quebec	Component	Buyout	Buyout	Buydown	Buyout	Other
Year	Adjustmen	t Adjustment	Land	Adjustment	Transmission	(Page 8)	(Page 9)	(Page 10)	(Page 11)	(Page 12)	Adjustments
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$ (7.296	6) \$ 0.007	\$ (0.001)	\$ -	\$ 0.020	\$ 0.237	\$ (0.105)	\$ 0.670	\$ 0.510	\$ 0.196	\$ (5.762)
2004	-	(0.127)	-	-	0.013	0.231	0.327	0.524	0.496	0.125	1.589
2005	-	-	-	-	0.012	0.226	0.419	0.712	0.483	0.182	2.034
2006	-	-	-	-	0.012	0.221	0.430	0.604	0.468	0.180	1.915
2007	-	-	-	-	0.012	0.216	0.439	0.687	0.456	0.101	1.911
2008	-	-	-	-	0.012	0.211	0.447	0.549	0.441	0.161	1.821
2009	-	-	-	-	-	0.206	0.464	0.677	0.427	0.172	1.946
2010	-	-	-	-	-	-	0.476	0.548	0.414	0.083	1.521
2011	-	-	-	-	-	-	-	0.647	0.400	0.158	1.205
2012	-	-	-	-	-	-	-	0.492	0.385	0.165	1.042
2013	-	-	-	-	-	-	-	-	0.374	0.081	0.455
2014	-	-	-	-	-	-	-	-	0.359	0.168	0.527
2015	-	-	-	-	-	-	-	-	0.345	0.169	0.514
2016	-	-	-	-	-	-	-	-	0.333	0.033	0.366
2017	-	-	-	-	-	-	-	-	0.319	0.127	0.446
2018	-	-	-	-	-	-	-	-	0.303	0.131	0.434
2019	-	-	-	-	-	-	-	-	0.293	0.031	0.324
2020	-	-	-	-	-	-	-	-	0.277	0.141	0.418
2021	-	-	-	-	-	-	-	-	0.262	0.151	0.413
2022	-	-	=	-	-	-	-	-	0.252	0.047	0.299
2023	-	-	-	-	-	-	-	-	0.236	0.169	0.405
2024	-	-	-	-	-	-	-	-	0.219	0.185	0.404
2025	-	-	-	-	-	-	-	-	0.204	0.061	0.265
2026	-	-	-	-	-	-	-	-	0.185	0.160	0.345

Col. B: Amount received from E.I.S. - November 2003.

Col. C: 2003 adjustment to actual of Column I and 4 percent of Seabrook Buyout Adjustment. 2004 forecasted adjustment to Column H.

Col. D: Adjustment to Net Proceeds for Sale of Land at 15 Church Street, Tisbury, MA.

Col. F: Equals 4 percent of Page 7, Col. E.

Commonwealth Electric Company Share of Summary of Transition Charge - Decommissioning \$ in Millions

Seabrook	Seabrook	Yankee	
<u>Unit 1</u>	Unit 2	<u>Atomic</u>	<u>Total</u>
Col. B	Col. C	Col. D	Col. E
\$ -	\$ -	\$ 0.811	\$0.811
-	-	1.387	1.387
-	-	1.391	1.391
-	-	0.350	0.350
-	-	0.350	0.350
-	-	0.350	0.350
-	-	0.350	0.350
-	-	0.350	0.350
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	<u>Unit 1</u>	Unit 1 Unit 2 Col. B Col. C	Unit 1 Unit 2 Atomic Col. D \$ - \$ - \$ 0.811 - - 1.387 - - 1.391 - - 0.350 - - 0.350 - - 0.350 - - 0.350 - 0.350 0.350

^{* 12} months actual.

^{** 5} months actual, 7 months forecast. Note: Col. B & Col. C subject to final reconciliation of sale transaction.

Commonwealth Electric Company Transmission in Support of Remote Generation \$ in Millions

		Hydro Quebec	Hydro Quebec	Hydro Quebec		
<u>Year</u>	Seabrook 1	Phase 1	Phase 2	Mitigation	Wyman 4	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
2003 *	\$0.002	\$0.299	\$1.797	(\$0.489)	\$ -	\$1.609
2004 **	-	0.299	1.723	(0.322)	-	1.700
2005	-	0.291	1.904	(0.300)	-	1.895
2006	-	0.153	1.885	(0.300)	-	1.738
2007	-	0.086	1.865	(0.300)	-	1.651
2008	-	0.088	1.847	(0.300)	-	1.635
2009	-	0.091	1.829		-	1.920
2010	-	0.094	1.813		-	1.907
2011	-	0.096	1.796			1.892
2012	-	0.099	1.781			1.880
2013	-	0.102	1.767			1.869
2014	-	0.104	1.758			1.862
2015	-	0.107	1.760			1.867
2016	-	0.111	1.344			1.455
2017	-	0.114	1.450			1.564
2018	-	0.117	1.486			1.603
2019	-	0.121	1.523			1.644
2020	-	0.125	1.562			1.687
2021	-	0.129	2.061			2.190
2022	-					-
2023	-					-
2024	-					-
2025	-					-
2026	-					-

^{* 12} months actual.

^{** 5} months actual, 7 months forecast.

Commonwealth Electric Company Transition Charge Mitigation Incentive Summary - Fixed \$ in Millions

Line								
		<u>2003</u>	2004	<u>2005</u>	<u>2006</u>	<u>2007</u>	2008	2009
1	Residual Value Credit (Debit):							
2	Commonwealth Total Proceeds	(\$0.155)	(\$0.148)	(\$0.142)	(\$0.136)	(\$0.129)	(\$0.123)	(\$0.113)
3	Canal Excess Proceeds	32.707	31.921	31.134	30.348	29.561	28.775	27.986
4	Commonwealth Pilgrim Buyout	(11.448)	(11.173)	(10.898)	(10.621)	(10.346)	(10.071)	(9.802)
5	Commonwealth PREA Buyout	(0.248)	(0.242)	(0.236)	(0.230)	(0.225)	(0.219)	(0.208)
6	Commonwealth Seabrook Buydown	(14.681)	(14.328)	(13.975)	(13.622)	(13.269)	(12.915)	(12.563)
7	Total	6.175	6.030	5.883	5.739	5.592	5.447	5.300
8							-	
9	Less - Owned Generation per Compliance Filing:							
10	Commonwealth Embedded Cost	0.260	0.244	0.228	0.212	0.196	0.180	0.160
11							-	
12	Net Incremental Gain on Sale of Owned Gen (L7 - L10)	5.915	5.786	5.655	5.527	5.396	5.267	5.140
13								
14	Transition Charge Mitigation Incentive Mechanism @ 4%	\$0.237	\$0.231	\$0.226	\$0.221	\$0.216	\$0.211	\$0.206

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Lowell Cogen Buyout \$ in Millions

				Revised				
	C	riginal Foreca	st	Forecast		Transition		
	Power		Assumed	Future		Charge		Impact on
	Contract	Assumed	Excess	Power		Mitigation	Estimated	Transition
	Total	Market	Over	Contract	Total	Incentive	GWH	Charge
<u>Year</u>	Obligation	<u>Value</u>	<u>Market</u>	<u>Buyouts</u>	Mitigation	<u>@ 4%</u>	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
2003	\$13.384	\$3.264	\$10.120	\$12.741	(\$2.621)	(\$0.105)	4,173.546	(0.00252)
2004	13.685	3.379	10.306	2.124	8.182	0.327	4,202.750	0.00778
2005	14.015	3.528	10.487		10.487	0.419	4,286.805	0.00977
2006	14.368	3.626	10.742		10.742	0.430	4,372.541	0.00983
2007	14.747	3.767	10.980		10.980	0.439	4,459.992	0.00984
2008	15.145	3.963	11.182		11.182	0.447	4,549.192	0.00983
2009	15.576	3.967	11.609		11.609	0.464	4,640.176	0.01000
2010	16.031	4.138	11.893		11.893	0.476	4,732.980	0.01006

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (8).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (8) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

Col. E: See DTE 99-65 for revised amounts

Col. F: Col. D - Col. E.

Col. G: Col. F Multiplied by 4%.

Col. H: 2003- 2010, see Page 1, Col. B.

Col. I: Col. G/Col. H Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Pilgrim Contract Buyout \$ in Millions

	Original Forecast					Revised Forecast				Transition		
		Power		Assumed		Power		Assumed		Charge		Impact on
	Nuclear	Contract	Assumed	Excess	Total	Contract	Assumed	Excess		Mitigation	Estimated	Transition
	Decommissioning	Total	Market	Over	Filed	Total	Market	Over	Total	Incentive	GWH	Charge
<u>Year</u>	Costs	Obligation	<u>Value</u>	Market	<u>Case</u>	Obligation	<u>Value</u>	<u>Market</u>	Mitigation	@ 4%	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$3.836	\$33.707	\$18.883	\$14.824	\$18.660	\$11.238	\$9.325	\$1.913	\$16.747	\$0.670	4,173.546	0.01605
2004	3.951	33.861	21.842	12.019	15.970	13.718	10.859	2.859	13.111	0.524	4,202.750	0.01247
2005	4.069	34.135	20.405	13.730	17.799			-	17.799	0.712	4,286.805	0.01661
2006	4.191	34.339	23.437	10.902	15.093			-	15.093	0.604	4,372.541	0.01381
2007	4.317	34.655	21.791	12.864	17.181			-	17.181	0.687	4,459.992	0.01540
2008	4.447	34.907	25.617	9.290	13.737			-	13.737	0.549	4,549.192	0.01207
2009	4.580	35.300	22.947	12.353	16.933			-	16.933	0.677	4,640.176	0.01459
2010	4.717	35.733	26.744	8.989	13.706			-	13.706	0.548	4,732.980	0.01158
2011	4.859	36.082	24.756	11.326	16.185			-	16.185	0.647	4,827.640	0.01340
2012	5.005	35.327	28.024	7.303	12.308			-	12.308	0.492	4,924.193	0.00999

Column Notes:

Col. B: Restated per new Pilgrim decommissioning forecast in DTE 98-126.

Col. C: See DTE 98-78, Schedule 1, Page 11, Column (1).

Col. D: See DTE 98-78, Schedule 1, Page 12, Column (1) times NERA Base Load Market Forecast.

Col. E: Col. C - Col. D. Col. F: Col. B + Col. E.

See DTE 98-126 for revised amounts for Cols. G through I.

Col. J: Col. F - Col. I.

Col. K: Col. J Multiplied by 4%.

Col. L: 2003 - 2012, see Page 1, Col. B.

Col. M: Col. K/Col. L Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Seabrook Buydown \$ in Millions

	Original Forecast		R	evised Foreca	st		Transition			
	Power		Assumed	Power		Assumed		Charge		Impact on
	Contract	Assumed	Excess	Contract	Assumed	Excess		Mitigation	Estimated	Transition
	Total	Market	Over	Total	Market	Over	Total	Incentive	GWH	Charge
<u>Year</u>	Obligation	<u>Value</u>	<u>Market</u>	Obligation	<u>Value</u>	<u>Market</u>	<u>Mitigation</u>	@ 4%	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
2003	\$25.689	\$8.813	\$16.876	\$12.950	\$8.813	\$4.137	\$12.739	\$0.510	4,173.546	0.01222
2004	24.848	10.091	14.757	12.438	10.091	2.347	12.410	0.496	4,202.750	0.01180
2005	25.333	9.523	15.810	13.267	9.523	3.744	12.066	0.483	4,286.805	0.01127
2006	25.170	9.789	15.381	13.472	9.789	3.683	11.698	0.468	4,372.541	0.01070
2007	24.321	11.249	13.072	12.927	11.249	1.678	11.394	0.456	4,459.992	0.01022
2008	24.889	10.700	14.189	13.862	10.700	3.162	11.027	0.441	4,549.192	0.00969
2009	24.779	10.709	14.070	14.103	10.709	3.394	10.676	0.427	4,640.176	0.00920
2010	23.871	12.355	11.516	13.514	12.355	1.159	10.357	0.414	4,732.980	0.00875
2011	24.569	11.554	13.015	14.559	11.554	3.005	10.010	0.400	4,827.640	0.00829
2012	24.473	11.705	12.768	14.840	11.705	3.135	9.633	0.385	4,924.193	0.00782
2013	23.551	13.184	10.367	14.204	13.184	1.020	9.347	0.374	5,022.677	0.00745
2014	24.355	12.242	12.113	15.381	12.242	3.139	8.974	0.359	5,123.131	0.00701
2015	24.331	12.564	11.767	15.715	12.564	3.151	8.616	0.345	5,225.594	0.00660
2016	23.343	14.310	9.033	15.027	14.310	0.717	8.316	0.333	5,330.106	0.00625
2017	24.310	13.316	10.994	16.347	13.316	3.031	7.963	0.319	5,436.708	0.00587
2018	24.315	13.589	10.726	16.739	13.589	3.150	7.576	0.303	5,545.442	0.00546
2019	23.302	15.336	7.966	15.987	15.336	0.651	7.315	0.293	5,656.351	0.00518
2020	24.414	14.094	10.320	17.489	14.094	3.395	6.925	0.277	5,769.478	0.00480
2021	24.524	14.329	10.195	17.974	14.329	3.645	6.550	0.262	5,884.868	0.00445
2022	23.461	16.126	7.335	17.165	16.126	1.039	6.296	0.252	6,002.565	0.00420
2023	24.818	14.834	9.984	18.916	14.834	4.082	5.902	0.236	6,122.616	0.00385
2024	25.055	15.100	9.955	19.585	15.100	4.485	5.470	0.219	6,245.068	0.00351
2025	23.479	16.998	6.481	18.376	16.998	1.378	5.103	0.204	6,369.969	0.00320
2026	24.106	15.639	8.467	19.474	15.639	3.835	4.632	0.185	6,497.368	0.00285

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (2).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (2) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

See DTE 99-89 for revised amounts for Cols. E through G.

Col. H: Col. D - Col. G.

Col. I: Col. H Multiplied by 4%.

Col. J: 2003 - 2026, see Page 1, Col. B.

Col. K: Col. I/Col. J Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Seabrook Buyout \$ in Millions

			Original For	ecast			Revised Forecast		Transition		
		Power	J	Assumed	Transmission		Future		Charge		Impact on
	Nuclear	Contract	Assumed	Excess	in Support	Total	Power		Mitigation	Estimated	Transition
	Decommissioning	Total	Market	Over	of Remote	Filed	Contract	Total	Incentive	GWH	Charge
<u>Year</u>	<u>Costs</u>	Obligation	<u>Value</u>	<u>Market</u>	Generation	Case	Buyouts	Mitigation	@ 4%	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$0.565	\$12.950	\$8.813	\$4.137	\$0.186	\$4.888	\$ -	\$4.888	\$0.196	4,173.546	0.00470
2004	0.588	12.438	10.091	2.347	0.184	3.119		3.119	0.125	4,202.750	0.00297
2005	0.614	13.267	9.523	3.744	0.182	4.540		4.540	0.182	4,286.805	0.00425
2006	0.639	13.472	9.789	3.683	0.180	4.502		4.502	0.180	4,372.541	0.00412
2007	0.666	12.927	11.249	1.678	0.178	2.522		2.522	0.101	4,459.992	0.00226
2008	0.695	13.862	10.700	3.162	0.175	4.032		4.032	0.161	4,549.192	0.00354
2009	0.723	14.103	10.709	3.394	0.173	4.290		4.290	0.172	4,640.176	0.00371
2010	0.754	13.514	12.355	1.159	0.171	2.084		2.084	0.083	4,732.980	0.00175
2011	0.785	14.559	11.554	3.005	0.169	3.959		3.959	0.158	4,827.640	0.00327
2012	0.819	14.840	11.705	3.135	0.167	4.121		4.121	0.165	4,924.193	0.00335
2013	0.852	14.204	13.184	1.020	0.165	2.037		2.037	0.081	5,022.677	0.00161
2014	0.888	15.381	12.242	3.139	0.163	4.190		4.190	0.168	5,123.131	0.00328
2015	0.924	15.715	12.564	3.151	0.161	4.236		4.236	0.169	5,225.594	0.00323
2016	(0.014)	15.027	14.310	0.717	0.111	0.814		0.814	0.033	5,330.106	0.00062
2017	(0.013)	16.347	13.316	3.031	0.145	3.163		3.163	0.127	5,436.708	0.00234
2018	(0.013)	16.739	13.589	3.150	0.145	3.282		3.282	0.131	5,545.442	0.00236
2019	(0.011)	15.987	15.336	0.651	0.146	0.786		0.786	0.031	5,656.351	0.00055
2020	(0.011)	17.489	14.094	3.395	0.147	3.531		3.531	0.141	5,769.478	0.00244
2021	(0.010)	17.974	14.329	3.645	0.148	3.783		3.783	0.151	5,884.868	0.00257
2022	(0.009)	17.165	16.126	1.039	0.149	1.179		1.179	0.047	6,002.565	0.00078
2023	(0.007)	18.916	14.834	4.082	0.151	4.226		4.226	0.169	6,122.616	0.00276
2024	(0.007)	19.585	15.100	4.485	0.155	4.633		4.633	0.185	6,245.068	0.00296
2025	(0.006)	18.376	16.998	1.378	0.157	1.529		1.529	0.061	6,369.969	0.00096
2026	(0.004)	19.474	15.639	3.835	0.159	3.990		3.990	0.160	6,497.368	0.00246

Column Notes:

Col. B: See DTE 01-79, Exhibit COM-BKR-1, Page 6, Columns B & C.

Col. C: See Page 11, Column E.

Col. D: See Page 11, Column F.

Col. E: Col. C - Col. D.

Col. F: See DTE 99-90, Schedule 1, Page 7, Column (2).

Col. G: Col. B + Col. E + Col. F.

Col. H: Estimated Buyout Amount per DTE 02-34.

Col. I: Col. G - Col. H.

Col. J: Col. I Multiplied by 4%.

Col. K: See Page 1, Col. B.

Col. L: Col. J/Col. K Multiplied by 100.

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-3 Page 13 of 15

Commonwealth Electric Company Power Contract Obligations Annual Obligations in Millions of Dollars

			NEA-	NEA-										
	Dartmouth	Altresco-	Bellingham	Bellingham	Mass-	Mass-	Chicopee	Collins	Boott	Pioneer			SEMASS	
Year	Power	Pittsfield	(25MW)	(21MW)	Power 1	Power 2	Hydro	Hydro	Hydro	Hydro	Pilgrim	<u>SEMASS</u>	Expansion	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar														
Apr - May														
Jun - Sep														
Oct - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007						RFI	DACT	FD						
						• • • • • • • • • • • • • • • • • • • •	<i>-</i>							
2008														
2009														
2010														
2011														
2012														
2013 2014														
2014														
2015														
2017														
2018														
2019														
2020														
2021														
2022														
2023														

Updated from COM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA.

Note:

Commonwealth Electric Company Power Contract Obligations Annual Market in Millions of Dollars

			NEA-	NEA-											
	Dartmouth	Altresco-		Bellingham	Mass-	Mass-	Chicopee	Collins	Boott	Pioneer			SEMASS	S. O.	
Year	Power	Pittsfield	(25MW)	(21MW)	Power 1	Power 2	Hydro	Hydro	Hydro	Hydro	Pilgrim	SEMASS	Expansion	Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
							DEF	A A A							
2007							KEL	DACI	ED						
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															
Note:	Cols B thru N a	re updated fro	om CAM-JFL-3 (supp) in D.T.E. 0	03-118 with late	est forecast fror	n CEA.								

Col.O = Col.P minus Cols. B thru N for Jan 2004 through Feb 2005

Col.P for March 2005 onwards = sum Col. B thru Col. O.

Col.P for Jan 2004 through Feb 2005 (Standard Offer period) is equal to the transfer price from DTE 04-60 NSTAR-COM-GOL-5 & 7 (page 1, line 7)

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-3 Page 15 of 15

Commonwealth Electric Company Power Contract Obligations Annual Above Market in Millions of Dollars

Year Col. A	Dartmouth Power Col. B	Altresco- Pittsfield	NEA- Bellingham (25MW) Col. D	NEA- Bellingham (21MW) Col. E	Mass- Power 1	Mass- Power 2	Chicopee Hydro Col. H	Collins Hydro	Boott Hydro Col. J	Pioneer Hydro Col. K	Pilgrim Col. L	SEMASS Col. M	SEMASS Expansion Col. N	S. O. Adjustment Col. O	Total Col. P
Jan - Mar Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
						DEI		-ED							
2005						KEI	DACT	Ľυ							
2006															
2007															
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015 2016															
2017															
2018															
2019															
2020															
2021															
2022															
2023															

Annual above Market = Annual Obligation (p.13) minus Annual Market (p.14)

Note:

Commonwealth Electric Company Transition Charge Calculation \$ in Millions

Year Col. A 2002	GWH Delivered Col. B	Transition Charge Billed Col. C	Revenues for Delivered GWH Col. D	Fixed Component Col. E	Total Variable Component Col. F	Other Adjustment Col. G	Prior Year <u>Deferral</u> Col. H	Interest on Deferral Col. I	Expenses Col. J	(Over) Under Collection Col. K \$ 81.510
2003	4,173.546	2.819	\$ 117.657	\$ 0.532	\$ 138.189	\$ (5.762)	\$ 81.510	\$ 3.122	\$ 217.591	99.934
2004	4,202.750	1.776	74.654	0.494	108.669	1.589	99.934	2.638	213.324	138.670
2005	4,286.805	4.080	174.902	0.458	111.993	3.343	138.670	2.288	256.752	81.850
2006	4,372.541	4.080	178.400	0.418	123.791	1.915	81.850	1.351	209.326	30.926
2007	4,459.992	3.398	151.548	0.382	117.819	1.911	30.926	0.510	151.548	-
2008	4,549.192	2.245	102.139	0.343	99.975	1.821	-	-	102.139	-
2009	4,640.176	1.704	79.069	0.305	76.818	1.946	-	-	79.069	-
2010	4,732.980	1.636	77.433	-	75.912	1.521	-	-	77.433	-
2011	4,827.640	1.575	76.058	-	74.853	1.205	-	-	76.058	-
2012	4,924.193	1.538	75.719	-	74.677	1.042	-	-	75.719	-
2013	5,022.677	1.092	54.849	-	54.394	0.455	-	-	54.849	-
2014	5,123.131	1.001	51.280	-	50.753	0.527	-	-	51.280	-
2015	5,225.594	0.962	50.249	-	49.735	0.514	-	-	50.249	-
2016	5,330.106	0.621	33.080	-	32.714	0.366	-	-	33.080	-
2017	5,436.708	0.101	5.517	-	5.071	0.446	-	-	5.517	-
2018	5,545.442	0.097	5.357	-	4.923	0.434	-	-	5.357	-
2019	5,656.351	0.090	5.094	-	4.770	0.324	-	-	5.094	-
2020	5,769.478	0.087	5.030	-	4.612	0.418	-	-	5.030	-
2021	5,884.868	0.090	5.321	-	4.908	0.413	-	-	5.321	-
2022	6,002.565	0.047	2.803	-	2.504	0.299	-	-	2.803	-
2023	6,122.616	0.019	1.160	-	0.755	0.405	-	-	1.160	-
2024	6,245.068	0.006	0.404	-	-	0.404	-	-	0.404	-
2025	6,369.969	0.004	0.265	-	-	0.265	-	-	0.265	-
2026	6,497.368	0.005	0.345	-	-	0.345	-	-	0.345	-

- Col. B: 2003 12 months actual; 2004 5 months actual, 7 months forecast; years 2005 and beyond assumes 2% growth per annum.
- Col. C: 2003 & 2004 = Col. D / Col. B; 2005 & 2006 = Maximum Transition Charge rate; Post 2006 = Col. J / Col. B.
- Col. D: 2003 per Page 2, Line 15; 2004 5 months actual, 7 months forecast; 2005 2006 = Col. B * Col. C; Post 2006 = Col. J.
- Col. E: Page 3, Col. H.
- Col. F: Page 4, Col. M.
- Col. G: Page 5, Col. L.
- Col. H: Col. K prior year.
- Col. I: Col. H times interest rate on customer deposits; 2002 ending balance = 3.83%; 2003 ending balance = 2.64%; Post 2003 = 1.65%.
- Col. J: Sum Cols. E thru I.
- Col. K: 2002 per D.T.E. 02-80B (Settlement); 2003 and later = Col. J Col. D.

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-4 Page 2 of 16

Commonwealth Electric Company Actual 2003 Transition Revenues \$ in Millions

Line	Description	GWH	A/C #	Per	Book \$	Total
1	2003 Transition Billed Revenues:					
2	Residential Transition	2,064.405	440160	\$	56.348	
3	Commercial Transition	1,734.871	442500		47.014	
4	Industrial Transition	366.634	442430		9.471	
5	Street Light Transition	16.039	444060		0.437	
6	Total Billed Revenues	4,181.949				\$ 113.270
7	2003 Transition Unbilled Revenues:			,	√alue	
8	Less: Residential Transition Unbilled @ 12/31/02	(91.151)				
9	Plus: Residential Transition Unbilled @ 12/31/03	`87.671 [′]	440162	\$	2.145	
10	Less: Industrial Transition Unbilled @ 12/31/02	(18.078)				
11	Plus: Industrial Transition Unbilled @ 12/31/03	16.734	442435		0.360	
12	Less: Commercial Transition Unbilled @ 12/31/02	(81.065)				
13	Plus: Commercial Transition Unbilled @ 12/31/03	77.486	442505		1.882	
14	Total Unbilled Revenues	(8.403)				 4.387
15	Total 2003 Transition Revenues	4,173.546	2.819			\$ 117.657

D.T.E. 04-78 Exhibit NSTAR-COM-GOL-4 Page 3 of 16

Commonwealth Electric Company Summary of Transition Charge - Fixed Component \$ in Millions

	Commonwealth Ele	ectric Company					
	Pre-Tax Return on	Amortization of	Pre-Tax Return on	Amortization of	Pre-Tax Return on	Amortization of	-
	Generation	Generation	Commonwealth	Commonwealth	Canal Related	Canal Related	Net
	Related	Related	Generation	Generation	Generation	Generation	Fixed
Year	Assets	Assets	Recovery/(Proceeds	Recovery/(Proceeds)	Recovery/(Proceeds)	Recovery/(Proceeds)	Component
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H
2003	\$ 0.103	\$ 0.157	\$ 0.04	1 \$ 0.114	\$ 0.099	\$ 0.018	\$ 0.532
2004	0.087	0.157	0.03	4 0.114	0.084	0.018	0.494
2005	0.071	0.157	0.02	3 0.114	0.070	0.018	0.458
2006	0.055	0.157	0.02	2 0.114	0.052	0.018	0.418
2007	0.039	0.157	0.01	5 0.114	0.039	0.018	0.382
2008	0.023	0.157	0.00	9 0.114	0.022	0.018	0.343
2009	0.008	0.152	0.00	3 0.110	0.008	0.024	0.305

Note: Amounts per Exhibit COM-JFL-2(DTE 03-118(Supp)).

Col. H = Sum of Columns B through G.

Commonwealth Electric Company Summary of Transition Charge - Variable Component \$ in Millions



Col. M: Col. B + Col. E + Col. F + Col. G + Col. H + Col. I + Col. J + Col. K + Col. L.

Commonwealth Electric Company Summary of Transition Charge - Other Adjustments \$ in Millions

					Mitigation Incentive						
	EIS		Gain on				Lowell	Pilgrim			•
	Return on	Mitigation	Sale of		Hydro	Fixed	Cogen.	Contract	Seabrook	Seabrook	Total
	Investment	Incentive	Utility	Other	Quebec	Component	Buyout	Buyout	Buydown	Buyout	Other
Year	Adjustment	Adjustment	Land	Adjustment	Transmission	(Page 8)	(Page 9)	(Page 10)	(Page 11)	(Page 12)	Adjustments
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$ (7.296)	\$ 0.007	\$ (0.001)	\$ -	\$ 0.020	\$ 0.237	\$ (0.105)	\$ 0.670	\$ 0.510	\$ 0.196	\$ (5.762)
2004	- '	(0.127)	- '	-	0.013	0.231	0.327	0.524	0.496	0.125	1.589
2005	-	1.309	-	-	0.012	0.226	0.419	0.712	0.483	0.182	3.343
2006	-	-	-	-	0.012	0.221	0.430	0.604	0.468	0.180	1.915
2007	-	-	-	-	0.012	0.216	0.439	0.687	0.456	0.101	1.911
2008	-	-	-	-	0.012	0.211	0.447	0.549	0.441	0.161	1.821
2009	-	-	-	-	-	0.206	0.464	0.677	0.427	0.172	1.946
2010	-	-	-	-	-	-	0.476	0.548	0.414	0.083	1.521
2011	=	-	-	-	-	=	-	0.647	0.400	0.158	1.205
2012	=	-	-	-	-	=	-	0.492	0.385	0.165	1.042
2013	-	-	-	-	-	-	-	-	0.374	0.081	0.455
2014	-	-	-	-	-	-	-	-	0.359	0.168	0.527
2015	-	-	-	-	-	-	-	-	0.345	0.169	0.514
2016	-	-	-	-	-	-	-	-	0.333	0.033	0.366
2017	-	-	-	-	-	-	-	-	0.319	0.127	0.446
2018	-	-	-	-	-	-	-	-	0.303	0.131	0.434
2019	-	-	-	-	-	-	-	-	0.293	0.031	0.324
2020	-	-	-	-	-	-	-	-	0.277	0.141	0.418
2021	-	-	-	-	-	-	-	-	0.262	0.151	0.413
2022	-	-	-	-	-	-	-	-	0.252	0.047	0.299
2023	-	-	-	-	-	-	-	-	0.236	0.169	0.405
2024	-	-	-	-	-	-	-	-	0.219	0.185	0.404
2025	-	-	-	-	-	-	-	-	0.204	0.061	0.265
2026	-	-	-	-	-	-	-	-	0.185	0.160	0.345

Col. B: Amount received from E.I.S. - November 2003.

Col. C: 2003 adjustment to actual of Column I and 4 percent of Seabrook Buyout Adjustment.

2004 forecasted adjustment to Column H and NPV of 4% of Dartmouth saving (page 16, column G).

Col. D: Adjustment to Net Proceeds for Sale of Land at 15 Church Street, Tisbury, MA.

Col. F: Equals 4 percent of Page 7, Col. E.

Commonwealth Electric Company Share of Summary of Transition Charge - Decommissioning \$ in Millions

<u>Year</u> Col. A	Seabrook <u>Unit 1</u> Col. B	Seabrook <u>Unit 2</u> Col. C	Yankee <u>Atomic</u> Col. D	<u>Total</u> Col. E
2003 *	\$ -	\$ -	\$ 0.811	\$0.811
2004 **	· -	· -	1.387	1.387
2005	-	-	1.391	1.391
2006	-	-	0.350	0.350
2007	-	-	0.350	0.350
2008	-	-	0.350	0.350
2009	-	-	0.350	0.350
2010	-	-	0.350	0.350
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-

^{* 12} months actual.

^{** 5} months actual, 7 months forecast. Note: Col. B & Col. C subject to final reconciliation of sale transaction.

Commonwealth Electric Company Transmission in Support of Remote Generation \$ in Millions

		Hydro Quebec	Hydro Quebec	Hydro Quebec		
<u>Year</u>	Seabrook 1	Phase 1	Phase 2	Mitigation	Wyman 4	<u>Total</u>
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G
2003 *	\$0.002	\$0.299	\$1.797	(\$0.489)	\$ -	\$1.609
2004 **	-	0.299	1.723	(0.322)	-	1.700
2005	-	0.291	1.904	(0.300)	-	1.895
2006	-	0.153	1.885	(0.300)	-	1.738
2007	-	0.086	1.865	(0.300)	-	1.651
2008	-	0.088	1.847	(0.300)	-	1.635
2009	-	0.091	1.829		-	1.920
2010	-	0.094	1.813		-	1.907
2011	-	0.096	1.796			1.892
2012	-	0.099	1.781			1.880
2013	-	0.102	1.767			1.869
2014	-	0.104	1.758			1.862
2015	-	0.107	1.760			1.867
2016	-	0.111	1.344			1.455
2017	-	0.114	1.450			1.564
2018	-	0.117	1.486			1.603
2019	-	0.121	1.523			1.644
2020	-	0.125	1.562			1.687
2021	-	0.129	2.061			2.190
2022	-					-
2023	-					-
2024	-					-
2025	-					-
2026	-					-

^{* 12} months actual.

^{** 5} months actual, 7 months forecast.

Commonwealth Electric Company Transition Charge Mitigation Incentive Summary - Fixed \$ in Millions

Line								
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	2008	2009
1	Residual Value Credit (Debit):							
2	Commonwealth (Exhibit 2, Page 3, Line 33) Total Proceeds	(\$0.155)	(\$0.148)	(\$0.142)	(\$0.136)	(\$0.129)	(\$0.123)	(\$0.113)
3	Canal (Exhibit 2, Page 4, Line 29) Excess Proceeds	32.707	31.921	31.134	30.348	29.561	28.775	27.986
4	Commonwealth (Exhibit 2, Page 5, Line 6) Pilgrim Buyout	(11.448)	(11.173)	(10.898)	(10.621)	(10.346)	(10.071)	(9.802)
5	Commonwealth (Exhibit 2, Page 10, Line 29) PREA Buyout	(0.248)	(0.242)	(0.236)	(0.230)	(0.225)	(0.219)	(0.208)
6	Commonwealth (Exhibit 2, Page 11, Line 29) Seabrook Buydown	(14.681)	(14.328)	(13.975)	(13.622)	(13.269)	(12.915)	(12.563)
7	Total	6.175	6.030	5.883	5.739	5.592	5.447	5.300
8								
9	Less - Owned Generation per Compliance Filing:							
10	Commonwealth (Exhibit 2, Page 2, Line 28) Embedded Cost	0.260	0.244	0.228	0.212	0.196	0.180	0.160
11								
12	Net Incremental Gain on Sale of Owned Gen (L7 - L10)	5.915	5.786	5.655	5.527	5.396	5.267	5.140
13								
14	Transition Charge Mitigation Incentive Mechanism @ 4%	\$0.237	\$0.231	\$0.226	\$0.221	\$0.216	\$0.211	\$0.206

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Lowell Cogen Buyout \$ in Millions

				Revised				
	Original Forecast			Forecast		Transition		
	Power		Assumed	Future		Charge		Impact on
	Contract	Assumed	Excess	Power		Mitigation	Estimated	Transition
	Total	Market	Over	Contract	Total	Incentive	GWH	Charge
<u>Year</u>	Obligation	<u>Value</u>	<u>Market</u>	Buyouts	Mitigation	@ 4%	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
2003	\$13.384	\$3.264	\$10.120	\$12.741	(\$2.621)	(\$0.105)	4,173.546	(0.00252)
2004	13.685	3.379	10.306	2.124	8.182	0.327	4,202.750	0.00778
2005	14.015	3.528	10.487		10.487	0.419	4,286.805	0.00977
2006	14.368	3.626	10.742		10.742	0.430	4,372.541	0.00983
2007	14.747	3.767	10.980		10.980	0.439	4,459.992	0.00984
2008	15.145	3.963	11.182		11.182	0.447	4,549.192	0.00983
2009	15.576	3.967	11.609		11.609	0.464	4,640.176	0.01000
2010	16.031	4.138	11.893		11.893	0.476	4,732.980	0.01006

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (8).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (8) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

Col. E: See DTE 99-65 for revised amounts

Col. F: Col. D - Col. E.

Col. G: Col. F Multiplied by 4%.

Col. H: 2003- 2010, see Page 1, Col. B.

Col. I: Col. G/Col. H Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Pilgrim Contract Buyout \$ in Millions

		Origina	al Forecast			R	evised Foreca	st		Transition		
		Power		Assumed		Power		Assumed	Charge			Impact on
	Nuclear Contract Assume			Excess	Total	Contract	Contract Assumed Exces			Mitigation	Estimated	Transition
	Decommissioning	Total	Market	Over	Filed	Total	Market	Over	Total	Incentive	GWH	Charge
<u>Year</u>	Costs	Obligation	<u>Value</u>	Market	<u>Case</u>	Obligation	<u>Value</u>	<u>Market</u>	Mitigation	@ 4%	<u>Sales</u>	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M
2003	\$3.836	\$33.707	\$18.883	\$14.824	\$18.660	\$11.238	\$9.325	\$1.913	\$16.747	\$0.670	4,173.546	0.01605
2004	3.951	33.861	21.842	12.019	15.970	13.718	10.859	2.859	13.111	0.524	4,202.750	0.01247
2005	4.069	34.135	20.405	13.730	17.799			-	17.799	0.712	4,286.805	0.01661
2006	4.191	34.339	23.437	10.902	15.093			-	15.093	0.604	4,372.541	0.01381
2007	4.317	34.655	21.791	12.864	17.181			-	17.181	0.687	4,459.992	0.01540
2008	4.447	34.907	25.617	9.290	13.737			-	13.737	0.549	4,549.192	0.01207
2009	4.580	35.300	22.947	12.353	16.933			-	16.933	0.677	4,640.176	0.01459
2010	4.717	35.733	26.744	8.989	13.706			-	13.706	0.548	4,732.980	0.01158
2011	4.859	36.082	24.756	11.326	16.185			-	16.185	0.647	4,827.640	0.01340
2012	5.005	35.327	28.024	7.303	12.308			-	12.308	0.492	4,924.193	0.00999

Column Notes:

Col. B: Restated per new Pilgrim decommissioning forecast in DTE 98-126.

Col. C: See DTE 98-78, Schedule 1, Page 11, Column (1).

Col. D: See DTE 98-78, Schedule 1, Page 12, Column (1) times NERA Base Load Market Forecast.

Col. E: Col. C - Col. D. Col. F: Col. B + Col. E.

See DTE 98-126 for revised amounts for Cols. G through I.

Col. J: Col. F - Col. I.

Col. K: Col. J Multiplied by 4%.

Col. L: 2003 - 2012, see Page 1, Col. B.

Col. M: Col. K/Col. L Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Seabrook Buydown \$ in Millions

	C	riginal Foreca	st	R	evised Foreca	st	Transition				
	Power		Assumed	Power		Assumed		Charge		Impact on	
	Contract	Assumed	Excess	Contract	Assumed	Excess		Mitigation	Estimated	Transition	
	Total	Market	Over	Total	Market	Over	Total	Incentive	GWH	Charge	
<u>Year</u>	Obligation	<u>Value</u>	<u>Market</u>	Obligation	<u>Value</u>	Market	Mitigation	@ 4%	<u>Sales</u>	(cents/kwh)	
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	
2003	\$25.689	\$8.813	\$16.876	\$12.950	\$8.813	\$4.137	\$12.739	\$0.510	4,173.546	0.01222	
2004	24.848	10.091	14.757	12.438	10.091	2.347	12.410	0.496	4,202.750	0.01180	
2005	25.333	9.523	15.810	13.267	9.523	3.744	12.066	0.483	4,286.805	0.01127	
2006	25.170	9.789	15.381	13.472	9.789	3.683	11.698	0.468	4,372.541	0.01070	
2007	24.321	11.249	13.072	12.927	11.249	1.678	11.394	0.456	4,459.992	0.01022	
2008	24.889	10.700	14.189	13.862	10.700	3.162	11.027	0.441	4,549.192	0.00969	
2009	24.779	10.709	14.070	14.103	10.709	3.394	10.676	0.427	4,640.176	0.00920	
2010	23.871	12.355	11.516	13.514	12.355	1.159	10.357	0.414	4,732.980	0.00875	
2011	24.569	11.554	13.015	14.559	11.554	3.005	10.010	0.400	4,827.640	0.00829	
2012	24.473	11.705	12.768	14.840	11.705	3.135	9.633	0.385	4,924.193	0.00782	
2013	23.551	13.184	10.367	14.204	13.184	1.020	9.347	0.374	5,022.677	0.00745	
2014	24.355	12.242	12.113	15.381	12.242	3.139	8.974	0.359	5,123.131	0.00701	
2015	24.331	12.564	11.767	15.715	12.564	3.151	8.616	0.345	5,225.594	0.00660	
2016	23.343	14.310	9.033	15.027	14.310	0.717	8.316	0.333	5,330.106	0.00625	
2017	24.310	13.316	10.994	16.347	13.316	3.031	7.963	0.319	5,436.708	0.00587	
2018	24.315	13.589	10.726	16.739	13.589	3.150	7.576	0.303	5,545.442	0.00546	
2019	23.302	15.336	7.966	15.987	15.336	0.651	7.315	0.293	5,656.351	0.00518	
2020	24.414	14.094	10.320	17.489	14.094	3.395	6.925	0.277	5,769.478	0.00480	
2021	24.524	14.329	10.195	17.974	14.329	3.645	6.550	0.262	5,884.868	0.00445	
2022	23.461	16.126	7.335	17.165	16.126	1.039	6.296	0.252	6,002.565	0.00420	
2023	24.818	14.834	9.984	18.916	14.834	4.082	5.902	0.236	6,122.616	0.00385	
2024	25.055	15.100	9.955	19.585	15.100	4.485	5.470	0.219	6,245.068	0.00351	
2025	23.479	16.998	6.481	18.376	16.998	1.378	5.103	0.204	6,369.969	0.00320	
2026	24.106	15.639	8.467	19.474	15.639	3.835	4.632	0.185	6,497.368	0.00285	

Column Notes:

Col. B: See DTE 98-78, Schedule 1, Page 11, Column (2).

Col. C: See DTE 98-78, Schedule 1, Page 12, Column (2) times NERA Base Load Market Forecast.

Col. D: Col. B - Col. C.

See DTE 99-89 for revised amounts for Cols. E through G.

Col. H: Col. D - Col. G.

Col. I: Col. H Multiplied by 4%.

Col. J: 2003 - 2026, see Page 1, Col. B.

Col. K: Col. I/Col. J Multiplied by 100.

Commonwealth Electric Company Transition Charge Mitigation Incentive Mechanism - Seabrook Buyout \$ in Millions

			Original For	recast			Revised Forecast		Transition		
		Power	Originar i or	Assumed	Transmission		Future		Charge		Impact on
	Nuclear	Contract	Assumed	Excess	in Support	Total	Power		Mitigation	Estimated	Transition
	Decommissioning	Total	Market	Over	of Remote	Filed	Contract	Total	Incentive	GWH	Charge
<u>Year</u>	Costs	Obligation	<u>Value</u>	Market	Generation	Case	Buyouts	<u>Mitigation</u>	@ 4%	Sales	(cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L
2003	\$0.565	\$12.950	\$8.813	\$4.137	\$0.186	\$4.888	\$ -	\$4.888	\$0.196	4,173.546	0.00470
2004	0.588	12.438	10.091	2.347	0.184	3.119		3.119	0.125	4,202.750	0.00297
2005	0.614	13.267	9.523	3.744	0.182	4.540		4.540	0.182	4,286.805	0.00425
2006	0.639	13.472	9.789	3.683	0.180	4.502		4.502	0.180	4,372.541	0.00412
2007	0.666	12.927	11.249	1.678	0.178	2.522		2.522	0.101	4,459.992	0.00226
2008	0.695	13.862	10.700	3.162	0.175	4.032		4.032	0.161	4,549.192	0.00354
2009	0.723	14.103	10.709	3.394	0.173	4.290		4.290	0.172	4,640.176	0.00371
2010	0.754	13.514	12.355	1.159	0.171	2.084		2.084	0.083	4,732.980	0.00175
2011	0.785	14.559	11.554	3.005	0.169	3.959		3.959	0.158	4,827.640	0.00327
2012	0.819	14.840	11.705	3.135	0.167	4.121		4.121	0.165	4,924.193	0.00335
2013	0.852	14.204	13.184	1.020	0.165	2.037		2.037	0.081	5,022.677	0.00161
2014	0.888	15.381	12.242	3.139	0.163	4.190		4.190	0.168	5,123.131	0.00328
2015	0.924	15.715	12.564	3.151	0.161	4.236		4.236	0.169	5,225.594	0.00323
2016	(0.014)	15.027	14.310	0.717	0.111	0.814		0.814	0.033	5,330.106	0.00062
2017	(0.013)	16.347	13.316	3.031	0.145	3.163		3.163	0.127	5,436.708	0.00234
2018	(0.013)	16.739	13.589	3.150	0.145	3.282		3.282	0.131	5,545.442	0.00236
2019	(0.011)	15.987	15.336	0.651	0.146	0.786		0.786	0.031	5,656.351	0.00055
2020	(0.011)	17.489	14.094	3.395	0.147	3.531		3.531	0.141	5,769.478	0.00244
2021	(0.010)	17.974	14.329	3.645	0.148	3.783		3.783	0.151	5,884.868	0.00257
2022	(0.009)	17.165	16.126	1.039	0.149	1.179		1.179	0.047	6,002.565	0.00078
2023	(0.007)	18.916	14.834	4.082	0.151	4.226		4.226	0.169	6,122.616	0.00276
2024	(0.007)	19.585	15.100	4.485	0.155	4.633		4.633	0.185	6,245.068	0.00296
2025	(0.006)	18.376	16.998	1.378	0.157	1.529		1.529	0.061	6,369.969	0.00096
2026	(0.004)	19.474	15.639	3.835	0.159	3.990		3.990	0.160	6,497.368	0.00246

Column Notes:

Col. B: See DTE 01-79, Exhibit COM-BKR-1, Page 6, Columns B & C.

Col. C: See Page 11, Column E.

Col. D: See Page 11, Column F.

Col. E: Col. C - Col. D.

Col. F: See DTE 99-90, Schedule 1, Page 7, Column (2).

Col. G: Col. B + Col. E + Col. F.

Col. H: Estimated Buyout Amount per DTE 02-34.

Col. I: Col. G - Col. H.

Col. J: Col. I Multiplied by 4%.

Col. K: See Page 1, Col. B.

Col. L: Col. J/Col. K Multiplied by 100.

Commonwealth Electric Company Power Contract Obligations Annual Obligations in Millions of Dollars

	Dartmouth	Altresco-	NEA- Bellingham	NEA- Bellingham	Mass-	Mass-	Chicopee	Collins	Boott	Pioneer			SEMASS	
Year	Power	Pittsfield	(25MW)	(21MW)	Power 1	Power 2	Hydro	Hydro	Hydro	Hydro	Pilgrim	<u>SEMASS</u>	Expansion	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
Jan - Mar														
Apr - May														
Jun - Sep														
Oct - Dec														
2004														
Jan - Feb														
Mar														
Apr - Dec														
2005														
2006														
2007						RE	DACT	ED						
2008 2009														
2009														
2010														
2012														
2013														
2014														
2015														
2016														
2017														
2018														
2019														
2020														
2021														
2022														
2023														
Note:	Updated from (COM-JFL-3 (su	upp) in D.T.E. 03	3-118 with latest	forecast from (CEA updated for	or Dartmouth Buy	out (NSTAR-G	GOL-2, Page 4,	Column B.				

Differences from NSTAR-COM-GOL-3 indicated by shading.

Commonwealth Electric Company Power Contract Obligations Annual Market in Millions of Dollars

Year	Dartmouth Power	Altresco- Pittsfield	Bellingham (25MW)	Bellingham (21MW)	Mass- Power 1	Mass- Power 2	Chicopee Hydro	Collins Hydro	Boott Hydro	Pioneer Hydro	Pilgrim	SEMASS	SEMASS Expansion	S. O. Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar															
Apr - May															
Jun - Sep															
Oct - Dec															
2004															
Jan - Feb															
Mar															
Apr - Dec															
2005															
2006															
						DEI		-ED							
2007						KEI	DACT	ED							
2008															
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															

Cols B thru N are updated from CAM-JFL-3 (supp) in D.T.E. 03-118 with latest forecast from CEA updated for Dartmouth Buyout.

Col.O = Col.P minus Cols. B thru N for Jan 2004 through Feb 2005

2023

Note:

NEA-

NEA-

Col.P for Jan 2004 through Feb 2005 (Standard Offer period) is equal to the transfer price from DTE 04-60 NSTAR-COM-GOL-5 & 7 (page 1, line 7) Col.P for March 2005 onwards = sum Col. B thru Col. O.

Commonwealth Electric Company Power Contract Obligations Annual Above Market in Millions of Dollars

Year	Dartmouth Power	Pittsfield	NEA- Bellingham (25MW)	NEA- Bellingham (21MW)	Mass- Power 1	Mass- Power 2	Chicopee Hydro	Collins Hydro	Boott Hydro	Pioneer Hydro	Pilgrim	SEMASS	SEMASS Expansion	S. O. Adjustment	Total
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O	Col. P
Jan - Mar Apr - May Jun - Sep Oct - Dec 2004 Jan - Feb Mar															
Apr - Dec															
2005															
2006															
2007						REI	DACT	ED							
2008															
2009															
2010															
2011 2012															
2012															
2013															
2015															
2016															
2017															
2018															
2019															
2020															
2021 2022															
2022															
2020															

Annual above Market = Annual Obligation (p.13) minus Annual Market (p.14)

Note:

	Tran	sition Charge	Commons Mitigation Inc	wealth Electri centive Mecha \$ in Millions	<mark>anism - Dartm</mark>	outh Power B	uyout	
Year	Power Contract Total Obligation	Original Foreca Assumed Market Value	Assumed Excess Over Market	Revised Forecast Future Power Contract Buyouts	Total Mitigation	Transition Charge Mitigation Incentive @ 4%	Estimated GWH Sales	Impact on Transition Charge (cents/kwh)
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
2003 2004 2005 2006								
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017			RE	DACT	ED			
Co Co Co Co Co	lotes: DI. B: See Exhibit NSTDI. C: See Exhibit NSTDI. D: Col. B - Col. C. DI. E: See Page 15, Col. F: Col. D - Col. E. DI. G: Col. F Multiplied DI. H: 2003-2017, see DI. I: Col. G/Col. H M	FAR-COM-GOL-3 ol. B. d by 4%. e Page 1, Col. B.						

COMMONWEALTH ELECTRIC COMPANY d/b/a NSTAR ELECTRIC

Direct Testimony of Robert B. Hevert on Termination of Dartmouth PPA Obligations

Exhibit NSTAR-RBH

D.T.E. 04-78

1		I. INTRODUCTION
2	Q.	Please state your name, affiliation and business address.
3	A.	My name is Robert B. Hevert and I am President of Concentric Energy Advisors, Inc.
4		("CEA"), located at 313 Boston Post Road West, Suite 210, Marlborough, Massachusetts
5		01752.
6	Q.	On whose behalf are you submitting this direct testimony?
7	A.	I am submitting this testimony on behalf of Commonwealth Electric Company
8		("Commonwealth") (together with Boston Edison Company ("Boston Edison") and
9		Cambridge Electric Light Company ("Cambridge"), "NSTAR Electric" or the
10		"Company").
11	Q.	Please describe the nature of the services provided by CEA.
12	A.	CEA is a management consulting and economic advisory firm focused on the North
13		American energy and water industries. CEA specializes in transaction-related financial
14		advisory services including merger, acquisition and divestiture engagements, as well as
15		strategic and management consulting services. Prior to CEA, the majority of CEA's staff
16		were members of Reed Consulting Group ("RCG"), which subsequently was acquired by
17		Navigant Consulting, Inc. ("NCI").
18		Since 1997, CEA staff members have advised either the seller or a prospective
19		buyer of physical or contractual generation assets in numerous transactions. On the sell

side, CEA's staff has provided advisory services in transactions with an aggregate value in excess of \$20 billion. Specific sell-side engagements for power purchase agreements ("PPAs") on which CEA staff members have worked include the NSTAR Electric 1999 auction process for its PPA Entitlements, Standard Offer and Default Service supply, as well as Niagara Mohawk Power Corporation's 2000 auction for approximately 6,000 megawatts ("MW") of contracted capacity.

More recently, CEA served as sell-side advisor to Rochester Gas and Electric in its R.E. Ginna nuclear power plant sale, which included a long-term PPA for energy and capacity associated with the plant. Other transactions including physical and contractual assets for which CEA staff members had been retained include: Boston Edison's fossil fuel-fired generation assets; Boston Edison's Pilgrim nuclear station; Eastern Utilities Associates fossil and hydro generating assets; Central Hudson Gas and Electric; GPU fossil, hydro, development properties and GENCo divestiture; GPU Oyster Creek nuclear station; Potomac Electric Power Company generation assets and power contracts; Nine Mile Point Units 1 and 2; and Conectiv's fossil and nuclear generating assets. On the buy-side, CEA staff members have represented or otherwise supported numerous confidential clients in the assessment and valuation of various merchant and utility generating resources.

- Q. What services have CEA staff members provided on the sell-side of generation
 divestiture transactions specifically regarding PPAs?
- 3 On the sell side of power contracts and entitlements, CEA staff members have been A. 4 involved in all aspects of the auction process, from process design to transaction closing. 5 Those responsibilities have included: developing the overall sales process; enhancing 6 market interest in the assets being sold through the development of detailed offering 7 materials; assisting the seller in establishing the transaction terms; managing the due 8 diligence process; reviewing transaction documents; reviewing and analyzing round bids; 9 assisting in negotiations with bidders; providing financial valuations of the assets; and 10 assisting in obtaining required regulatory and corporate approvals, including the 11 preparation and delivery of fairness opinions. In that regard, CEA staff members have 12 provided testimony in several jurisdictions regarding auction processes and the fair value 13 of assets.
- Q. Do CEA staff members have experience in evaluating contractual resources otherthan in divestiture-related auctions?
- 16 A. Yes. In addition to the divestiture experience described above, CEA staff members have
 17 worked with various confidential clients to develop or assess resource portfolio
 18 optimization and generation strategies. Those clients include regulated utilities, non19 regulated generation companies, and municipal utilities. In many instances, these clients
 20 required valuations of their generation resources, both physical and contractual, for the
 21 purposes of financing, strategy development, resource planning, or transaction planning.

1 Q. Please describe your professional experience.

2

3

4

5

6

7

8

9

A. I have served as an executive and manager with other consulting firms (RCG and NCI), and as an officer of Bay State Gas Company. I have provided testimony regarding strategic and financial matters before several state utility regulatory agencies, and have advised numerous clients on all aspects of generation asset acquisition and divestiture transactions on both the buy and sell-side. Among other transactions, my sell-side advisory experience includes the fall 1999 initial auction of the NSTAR Electric power contracts. A summary of my professional and educational background is attached as Exhibit NSTAR-RBH-1.

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to describe the Company's auction process for the sale or
12 transfer of its rights to 24 Power Purchase Agreements (the "PPA Entitlements" or the
13 "Contracts"), and to support the Company's testimony as to the results of that process. In
14 particular, my testimony will address the results of the auction process for the Dartmouth
15 Power Contracts.

16 Q. Please summarize your testimony.

A. Following this introduction, I describe the circumstances leading up to the Company's divestiture, discuss the auction's overall design and implementation, and provide an overview of the results of the auction process. My testimony will also address the auction structure relative to the standards established by the Department of

Telecommunications and Energy (the "Department") in accordance with the Electric
Restructuring Act (the "Act").

II. DESCRIPTION OF AUCTION PROCESS

4 Q. Why did the Company choose to auction the PPA Entitlements at this time?

3

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

A.

The Company chose to auction its PPA Entitlements for a number of reasons. In accordance with the terms of the Department-approved Restructuring Settlement (for Boston Edison) and the Department-approved Restructuring Plan (for Cambridge and Commonwealth), NSTAR Electric was obligated to divest its fossil, nuclear and contractual generation resources. Although it completed the divestiture of its fossil and nuclear generation resources, the Company has not been able to complete the transfer of all of its contractual resources. Indeed, during 1999 and into 2000, the Company conducted auctions of its portfolio of power contracts, but did not enter into any definitive agreements as a result of that process. In 2003, the Company decided to reauction its PPA Entitlements with the intent of transferring or otherwise divesting the contracts if the resulting transactions were likely to mitigate the above-market costs associated with those contracts.

Q. How did the Company develop its PPA Entitlement divestiture program?

A. The Company began developing the current PPA Entitlement divestiture program in July, 2003 when it established a team of employees whose objective it was to develop and implement a process designed to mitigate, to the greatest possible extent, the above-market costs associated with the Contracts. The divestiture team, which had

responsibility for four major areas: (1) Developing the Offering Memorandum and Early Interest Package; (2) Marketing, communications, and bidder support; (3) Conducting the Auction; and (4) Bid Evaluation and Recommendations, included Company employees and consultants from CEA. Throughout the process, the divestiture team met weekly (in face-to-face meetings or via conference call) to ensure that all aspects of the process were integrated and coordinated, and to maintain communication among all parties. In addition, the divestiture team periodically met with Company management to report progress and to make decisions critical to the auction process.

A.

- Q. The auction process has taken nearly one year from the initial planning stage to the signing of transaction agreements. Please explain why that schedule is reasonable.
 - I believe this schedule is reasonable for several reasons. First, the auction of a portfolio of power contracts is an extremely complex transaction due to the myriad legal, tax, accounting, marketing, regulatory and valuation issues, each of which must be thoroughly developed and vetted at the outset of the process. In addition, as explained later in my testimony, the Company encouraged bidders to submit bids on any combination of contracts in order to maximize the value of the portfolio. While the advantage of that bidding structure was to heighten the competitive pressure among bidders, it also complicated and lengthened the amount of time needed to adequately review and negotiate competing bids.

1	Q.	Please describe the Company's objectives for the PPA Entitlement divestiture
2		process.
3	A.	The Company and CEA sought to design an auction that was equitable and structured to
4		maximize the mitigation of transition costs associated with the Contracts. As such, our
5		objective was to implement a process that ensured complete, uninhibited, non-
6		discriminatory access to all data and information by any and all interested parties seeking
7		to participate. Accordingly, the primary objectives of the divestiture process included:
8		Minimizing the above-market costs associated with the PPA Entitlements;
9		• Developing, implementing and maintaining the most competitive auction process
10		possible;
11		• Ensuring fair treatment of all bidders;
12		• Ensuring that the auction process was timely, efficient, and unbiased.
13	Q.	Please describe the specific responsibilities of the divestiture team.
14	A.	As noted earlier, the divestiture team had responsibility for four major areas: (1)
15		Developing the Offering Memorandum and Early Interest Package; (2) Marketing,
16		communications, and bidder support; (3) Conducting the Auction; and (4) Bid Evaluation
17		and Recommendations.

What were the team's responsibilities regarding communications?

The team's overall communications objective was to manage internal and external

communications regarding the auction process. More specifically, the team was

18

19

20

Q.

A.

responsible for managing communications with Company management, developing press releases and responding to media calls.

Q. What were the team's responsibilities with respect to marketing, due diligence, and bidder support?

A.

These responsibilities included all activities associated with marketing the PPA Entitlements. Such activities included identifying the target market, developing and delivering marketing materials, and soliciting expressions of interest through direct mail, and telephonic contact. These activities also included drafting the Early Interest Package and Offering Memorandum, negotiating and executing Confidentiality Agreements, evaluating bidder qualifications, preparing bid instructions, and analyzing all bids. Throughout the auction process, the team also focused on treating all bidders consistently and fairly.

The team also was responsible for managing the due diligence process, including the preparation of documentation CD-ROMs, managing bidder questions and answers ("Q&As"), and participating in or facilitating meetings or conference calls between individual bidders and company personnel. The due diligence process, which is discussed in more detail later in my testimony, was designed to ensure that each bidder received the information necessary to satisfactorily complete its evaluation of the PPA Entitlements, and that such information was provided in a consistent, timely, and equitable manner.

As discussed later in my testimony, CEA staff members supported bidders throughout the due diligence process by serving as "bidder representatives". That is, each bidder was assigned a specific CEA staff member to whom all questions and scheduling issues were directed. The bidder representatives worked with their respective bidders to resolve any unanswered questions and to schedule meetings or conference calls with Company personnel.

7 Q. Please describe the team's responsibilities as they relate to terms of sale.

1

2

3

4

5

6

- A. The divestiture team was responsible for developing the principal terms of the transaction documents. In that role, the divestiture team worked closely with the Company to develop the key transaction parameters. The team's primary objectives for the transaction terms were to maximize the mitigation of transition costs associated with the PPA Entitlements.
- 13 Q. What are the divestiture team's responsibilities with respect to the closing process?
- 14 A. The divestiture team is responsible for all activities after the execution of transaction
 15 documents through final closing. CEA provided analysis, recommendations and support
 16 through the negotiations, which NSTAR conducted. The team will continue to support
 17 the legal advisors and will seek the expeditious approval of the transaction.
- 18 Q. Please provide an overview of the auction process used to market the PPA

 19 Entitlements.
- A. The auction process was developed with the primary objective of mitigating, to the greatest extent possible, the above-market costs associated with the PPA Entitlements.

Accordingly, the process was designed to be a fair, unbiased process in which bidders would have the ability and opportunity to maximize the value of their respective bids. Initially, CEA undertook an aggressive preliminary marketing campaign during which interest in the PPA Entitlements was developed and solicited from numerous potential bidders. Throughout the auction process, substantial amounts of information and documentation relating to the PPA Entitlements, together with ongoing due diligence support, were provided to all qualified bidders. At the end of the bid process, bidders submitted their bids, including both pricing and contractual terms ("Bids"). A time line and overview of the auction process is provided in Exhibit NSTAR-RBH-2.

Q. How did the Company initially market the PPA Entitlements?

A. The initial marketing phase began on October 1, 2003 when NSTAR Electric publicly announced its intention to sell or transfer the 24 PPA Entitlements. Following that announcement, an Early Interest Package was sent to approximately 90 potential bidders including the counterparties to the PPAs, global, national and regional energy companies, unregulated affiliates of electric and gas utility companies, project developers, energy marketers, financial advisors and investment firms.

Q. Please describe the Early Interest Package.

A. The Early Interest Package included an Early Interest Letter ("EIL"), a Confidentiality

Agreement, and a Request for Qualifications ("RFQ"). Copies of all documents are

included as NSTAR-RBH-3. The EIL provided a brief description of the PPA

Entitlements, a general overview of the regional market, and contact instructions for

1		interested parties seeking additional information regarding the Contracts or wishing to
2		participate in the bidding process. The EIL also encouraged interested parties to consider
3		bidding on any or all of the PPA Entitlements. The broad distribution of the EIL Package
4		and the direct marketing efforts undertaken by CEA were intended to maximize the
5		likelihood of participation by the largest and most competitive group of qualified bidders.
6	Q.	Were prospective bidders required to execute any documents to be admitted into the
7		auction process?
8	A.	Yes. Bidders were required to execute a Confidentiality Agreement as a condition of
9		receiving any further information regarding the PPA Entitlements. As discussed below,
10		bidders were also required to submit a completed Qualifications Package in order to be
11		considered "Qualified Bidders."
12	Q.	How many responses did the Company receive in response to the Early Interest
13		Package?
14	A.	Over the period beginning October 1, 2003 and ending November 15, 2003, CEA and the
15		Company received responses from and negotiated Confidentiality Agreements with 25
16		interested parties. The Company subsequently received complete qualifications packages
17		from the 25 parties that signed Confidentiality Agreements.
18	Q.	Why was the Confidentiality Agreement important to the auction process?
19	A.	For any competitive bidding process to be effective, all parties must be confident that the
20		process is fair to all participants and that it will produce a conclusive result. To that end,
21		all bidders must have equal access to relevant information regarding the subject assets.

The Confidentiality Agreement provided a means by which the Company was able to provide such information to bidders without otherwise adversely affecting either the Company or the prospective counterparties. Among other provisions, the Confidentiality Agreement provided that bidders were precluded from disclosing the information obtained in the auction process to any other party, and from using the information for any purpose other than evaluating the PPA Entitlements. As noted above, the execution of the Confidentiality Agreement was a prerequisite for participation in the auction process.

8 Q. Has the Company disclosed the names of the bidders?

1

2

3

4

5

6

7

13

14

15

16

17

18

19

20

21

A.

9 A. No. With the exception of the announcement of the winning bidders for individual contracts, the bidders' names have continued to be, and will continue to be, treated as confidential.

12 Q. How did the Company evaluate the interested parties' qualifications?

- The Qualifications Package was designed to provide the Company and CEA specific financial, legal and operating information regarding the bidder or bidding group, as the case may be. The intent of the RFQ and the qualification process was to ensure that all bidders selected for participation in the process had the operating and financial wherewithal required to assume and administer the PPA Entitlements in the event an Entitlement Transfer Agreement was required. The RFQ sought the following information:
- An identification of the bidder, including any advisors, anticipated partners, and any known source of funds;

- An identification of the assets that the bidder owns, operates or controls within
 NEPOOL for the purpose of assessing potential market power issues;
 - A description of the company's financial qualifications;
- A summary of any conflicts of interest between the bidder and NSTAR; and
- A summary of the internal and external approvals necessary to close the transaction.
- The Company evaluated the qualifications packages on a rolling basis such that each bidder's qualifications were reviewed at the time they were received.

8 Q. Is the qualification process important?

3

9

10

11

12

13

14

15

A. Yes, it is especially important in the case of a third-party transaction under which an Entitlement Transfer Agreement ("ETA") would be the governing transaction document, and the ETA counterparty would have a series of continuing obligations. As set forth in the ETA, bankruptcy by either party (or its guarantor) represents an event of default, a remedy of which would be the early termination of the agreement. Given the time and resources needed to develop, implement and close a PPA auction process, the Company prudently chose to establish a qualification process to avoid such costs.²

An ETA establishes a contractual arrangement in which a party that is unaffiliated with the generating facility agrees to accept deliveries of electricity in accordance with the terms of existing PPAs. As discussed later in my testimony, the qualifications process is less critical in the case of a termination agreement with a current Contract counterparty.

This concern is not academic. In D.P.U./D.T.E 97-94, the Department approved the transfer of certain PPAs from New England Power Company to USGen New England, Inc. On July 8, 2003, USGen New England, along with several of its affiliate companies, filed for Chapter 11 bankruptcy protection.

1 Q. Please describe the Due Diligence Stage of the Competitive Bidding Process.

A.

The Due Diligence Stage began on October 17, 2003 when the Offering Memorandum ("OM") and the ETA were sent to 22 parties that executed the Confidentiality Agreements. (Three bidders voluntarily withdrew from the process shortly after receiving the OM.) The OM included a detailed description of each Contract, an overview of the bidding process, and the preliminary Terms of Sale.

In addition to receiving the OM, Qualified Bidders also received a documentation CD-ROM that included all of the PPA Entitlement agreements and amendments as well as the associated invoices, and an electronic contract evaluation spreadsheet for each of the PPA Entitlements. It is important to note that the evaluation spreadsheet was provided for the convenience of qualified bidders, and that all bidders were encouraged to perform their own independent evaluation of the Contracts.

As noted earlier, each Qualified Bidder was assigned a dedicated CEA Bidder Representative and was encouraged to conduct due diligence by sending written questions to CEA via e-mail. The Bidder Representatives were the single point of contact for their respective bidders regarding all matters relating to the competitive bidding process. As such, the Bidder Representatives both facilitated the due diligence process for their bidders and, by serving as the single point of contact, ensured that confidentiality was maintained throughout the auction process.

- 1 Q. How was the Q&A process, including requests for additional documentation
- 2 handled during the due diligence process?
- 3 Throughout the due diligence process, bidders were encouraged to send written questions A. 4 to CEA via a separate e-mail address. CEA received and reviewed the questions and, if 5 necessary, forwarded the questions to the appropriate company personnel. Responses to 6 those questions were provided as quickly as possible. In addition, while bidders 7 generally received answers to their specific questions, from time to time CEA and the 8 Company determined that the information requested by one bidder should be made 9 available to all bidders. Such information (e.g., scheduling and timing of bids) generally 10 was intended to clarify issues that likely would apply to all bidders regardless of the
- 11 Contract or Contracts for which they were bidding.
- 12 Q. Did bidders receive specific instructions for submitting their bids?
- 13 A. Yes, on November 6, 2003 bid instructions were made available to all bidders. A PPA
- 14 Entitlement Bid Form was also sent to each bidder as an attachment to the bid
- instructions. The Bid Instructions, which set a due date of Friday November 21, 2003 for
- the receipt of Bids, specified the form and content in which Bids were to be submitted. A
- 17 copy of the Bid Instructions, including the Bid Form, is provided as NSTAR-RBH-4.
- 18 According to those instructions, Bids were to include the following elements:
- 19 1. The Bid Form;
- 20 2. Confirmation of the Bidding Group and Ownership Structure;
- 21 3. Identification of advisors;

- 1 4. Identification of interest by identifying the PPA Entitlements for which the bid was submitted;
- 3 5. Pricing options for each PPA Entitlement for which the bid was submitted;
- 4 6. Identification of any regulatory or other approvals or consents required to close the transactions;
 - 7. Identification of the entity providing credit support and an explanation of how the required financial security would be provided;
 - 8. Any exceptions to the ETA, the document through which the rights and obligations under any non-assignable contracts would be transferred.

Among other things, the Bid Instructions stated that any Bid subject to internal approvals or financing may be rejected, and that the nature and extent of proposed modifications to the ETA would be taken into consideration when evaluating bids. As discussed below, the Bid Instructions were designed to enable the Company and CEA to evaluate all bids on a comparable basis.

Q. How was the bid form structured?

6

7

8

9

10

11

12

13

14

15

16 A. The PPA Entitlement Bid Form included two pricing options. Option 1 provided for a
17 lump-sum payment from the Bidder to NSTAR Electric or from NSTAR Electric to the
18 Bidder, based on NSTAR Electric paying the indicated monthly support payments for
19 each contract. Bid Option 2 was for PPA Entitlements with energy only pricing (no fixed
20 charges). Under Option 2 Qualified Bidders were asked to indicate the price per
21 megawatt hour they would pay to NSTAR Electric for energy delivered under the

specific PPA Entitlement. The Bid Form also required that each bid cover the remaining term and for the full output associated with any PPA Entitlement. The Bid Form also required Qualified Bidders to specify in their bid package whether each bid was separable from other PPA Entitlement bids. In addition, the Bid Form also noted that any remarking mechanisms required by bidders due to the passage of time were to be based on publicly available indices or data sources.

III. FINAL BID REVIEW

8 Q. Please provide an overview of the Bids received by the Company.

On December 3, 2003, the Company received twelve bids, including one bid for the Dartmouth Power Contract only, one bid for two PPA Entitlements (including Dartmouth Power), two bids for the entire PPA Entitlement portfolio, and one bid for all but one of the Contracts.³ Neither the portfolio bids nor the Dartmouth Power Contract only bids conformed to the Bid Instructions in that they were subject to internal approvals, further due diligence, or other such conditions.

Q. How did the Company evaluate the bids?

16 A. Throughout the months of December through March, negotiations continued with each of
17 the bidders regarding specific aspects of their proposed financial and contractual terms.
18 During this process, NSTAR Electric and CEA jointly and individually evaluated the bids

-

1

2

3

4

5

6

7

9

10

11

12

13

14

15

A.

For the purposes of this discussion, the latter three bids are referred to as the "portfolio bids".

with the objective of identifying those combinations of bids that offered the greatest mitigation of transition costs.

Written questions designed to clarify elements of various bids were sent to bidders throughout December and January, and responses were received and evaluated on a rolling basis. Based on CEA's and NSTAR Electric's evaluation of the bids, including the bidder responses to written questions, certain bidders were invited to participate in meetings and/or conference calls with the Company. During those meetings and calls, bidders were provided an opportunity to further clarify certain elements of their bids, and to propose potentially value-enhancing refinements. Based on those discussions, various bidders made specific improvements to their bids. That process of ongoing discussions and negotiations regarding the payment stream and transaction structure resulted in an agreement between NSTAR Electric and Dartmouth Power Associates ("Dartmouth") to terminate the Dartmouth Power Contract.

Q. How did CEA develop its valuation of the PPA Entitlements?

A.

Prior to the bid due date, CEA and NSTAR Electric developed an evaluation methodology under which bids would be compared to the Company's expected long-term costs under the respective contracts, and relative to the proposed terms of other bidders for the same contracts. To perform that analysis, CEA separately valued each PPA Entitlement to determine the total cost for the energy and capacity over the term of the agreement. Specific pricing and cost assumptions were made for each of the Contracts (the specific assumptions relating to the Dartmouth Power Contract is described further

below). Global assumptions regarding the market price of energy, capacity, and fuel were obtained from Henwood Energy Service Inc.'s ("Henwood") Northeast Electricity and Gas Price Outlook for Fall 2003, with updates in March and May, 2004 for years 2004 through 2006 ("Northeast Electric and Gas Price Forecast"). The above-market costs was calculated as the present value of the difference between the expected total cost under the Contract terms and the market value based on the Henwood forecast.

Q. Please describe in more detail the process used to evaluate the portfolio bids.

A.

After the initial review of the portfolio bids, it was clear that one of the three portfolio bids was substantially nonconforming in its structure and contained pricing provisions that were considerably less attractive than the other portfolio bids. Consequently, our evaluation quickly turned to the remaining portfolio bids and viable combinations of contract-specific bids. Of the remaining two portfolio bids, one (herein referred to as "Bidder A") contained proposed pricing terms that were economically attractive, while the other bid ("Bidder B") contained proposed terms that were slightly above the expected above-market portfolio cost.⁴ (Please note that Bidder B specifically excluded the Ocean State Power contract from its bid. See the Early Interest Letter contained in Exhibit NSTAR-RBH-3 for a summary of the Contracts. See Exhibit NSTAR-RBH-5 for a summary of the initial three portfolio bids.)

As noted elsewhere in my testimony, these comparative analyses were performed on a present-value basis.

Q. How did you proceed with Bidders A and B?

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

A.

A.

As with all of the bidders in this process, CEA and the Company held a series of meetings and conference calls with Bidders A and B to address issues specific to their respective bids. In the course of those conversations, Bidder A brought forth a significant number of additional due diligence items, and introduced a series of internal accounting issues that would require several weeks to be resolved. Consequently, while Bidder A's portfolio bid was attractive on its face, it was unclear whether the bid would maintain its economic viability. Our approach to Bidder A, therefore, was to promptly address the additional due diligence needs while the bidder continued to consider its internal accounting issues.

Bidder B's bid, while slightly high relative to the expected out-of-market cost (excluding the OSP contract), did not have the number or scope of contingencies contained in Bidder A's bid. In the case of Bidder B, therefore, CEA and the Company worked with the bidder to find ways either to reduce the cost of the portfolio bid, or to identify and remove specific contracts that appeared to have disproportionate effects on the bid price. Neither Bidder A nor Bidder B were counterparties to any of the Contracts and in both cases, the governing transaction document would have been the ETA.

Q. Please describe the remaining nine bidders.

Of the remaining nine bidders, four were existing Contract counterparties and bid only on the Contracts to which they were a counterparty. Three of the four counterparty bids appeared to be economically viable and in aggregate represented a significant portion of

the portfolio's total estimated above-market cost. Those three bids, therefore, became strategic priorities. The remaining five bidders (none of whom was a counterparty) bid on a variety of Contract combinations. In three cases, the bidders bid only on the hydroelectric contracts. In one case, the bidder bid on two Contracts (Bidder E), including Dartmouth and the final bidder (Bidder D), bid on the Dartmouth Power Contract only. Both Bidder D and Bidder E's bids were subject to further due diligence. In each case, CEA and the Company worked with the bidder of every economically viable bid to enhance the value of their respective bids.

Q. How did you then proceed with the bid evaluation and negotiations?

A.

Since three of the four counterparty bids were economically attractive, CEA asked Bidders A and B to re-price their bids excluding various combinations of those three contracts. (By receiving bids with and without the contracts, CEA was able to discern the portfolio bidders' valuation of the excluded contracts.) In addition, given that three of the third-party, non-portfolio bids appeared to be economically viable, Bidders A and B provided additional re-pricing scenarios excluding various combinations of those Contracts, and Bidders D and E were provided opportunities to re-price their bids. Based on that analysis, none of Bidder A or Bidder B's breakout bids exceeded the value of the combined counterparty bids. CEA and the Company therefore determined that it was prudent to focus our negotiations on the counterparty bidders. In the end, Bidder A was not able to resolve its accounting and due diligence issues and was dropped from the process; Bidder B was not able to materially improve either its portfolio or breakout bid

- price and also was dropped from the process; and neither Bidder D nor Bidder E was able to materially improve their proposed terms.
- Q. Please explain why the Dartmouth bid specifically was selected over the three
 portfolio bids.
- 5 A. As noted earlier, the Company's objective was to find the combination of bids that was 6 most likely to create the greatest possible reduction in above-market costs associated with 7 the Contracts. In order to make that assessment, the portfolio bidders were asked to 8 disaggregate their bids into the several components that would allow for a side-by-side 9 comparison of bids for individual contracts and the portfolio taken as a whole. As a 10 result of that assessment, CEA and the Company determined that the Dartmouth bid was 11 the lowest viable bid and, in combination with other contract-specific bids, was therefore 12 most likely to create the greatest reduction in above-market costs.
- Q. Were other issues taken into consideration in evaluating the Dartmouth bid relative
 to the portfolio bids?
- 15 A. Yes. First, as noted earlier, each of the portfolio bids were subject to further internal
 16 approvals and due diligence. Consequently, even if the bids, which were effectively non17 binding, produced reductions in above-market costs equal to those created by the
 18 Dartmouth bid, there was less certainty regarding the timing and pricing at which they
 19 might have closed. In addition, the agreement with Dartmouth PPA Holdings LLC
 20 ("Dartmouth Holdings") filed herewith (the "Dartmouth Agreement") calls for the
 21 termination of Commonwealth's obligations under the Dartmouth Power PPA, as

opposed to the transfer of rights and obligations under an ETA (which would have been the principal transaction document for any of the portfolio bids). Since the Dartmouth Agreement provides greater certainty as to the eventual economics of the transaction, all else being equal, the Company would prefer the termination agreement structure. Although Bidder A provided a non-binding proposal with slightly lower pricing, as noted earlier, that bidder was never able to present a final, binding proposal. Consequently, in addition to the more favorable structural elements of a termination agreement relative to an ETA, the Dartmouth bid also is the best viable bid in terms of pricing.

1

2

3

4

5

6

7

8

21

22

9 IV. TERMINATION OF COMMONWEALTH'S OBLIGATIONS UNDER THE DARTMOUTH POWER PPA

- 11 Q. Please summarize the auction results as they relate to the Dartmouth Power
 12 Contract.
- 13 A. As discussed earlier in my testimony, from October through December, 2003, the 14 Company, through CEA, aggressively marketed the PPAs to a broad group of potential 15 bidders, and provided selected, qualified bidders with substantial information and due 16 diligence support regarding all aspects of the PPA Entitlements. On December 3, 2003, 17 the Company received 12 bids for various combinations of the PPA Entitlements, 18 including three bids for the complete portfolio and two non-portfolio bids that included 19 the Dartmouth Power Contract. All five bids were subject to internal approvals, further 20 due diligence, or other such conditions.

Of the two partially conforming portfolio bids, one bid included a breakout of the Dartmouth Power PPA Entitlements. That bid included a monthly payment stream plus

an added lump-sum payment from NSTAR Electric to the bidder. The other partially conforming portfolio bid proposed one monthly payment stream for all 24 PPA Entitlements without a breakout of the Dartmouth Power Contract. The first Dartmouth-Power-Contract-only bid included only a monthly payment stream while the second Dartmouth-Power-Contract-only bid included a proposed bid and an alternate bid. The proposed bid include a monthly payment stream and an added lump-sum payment from NSTAR Electric to the bidder. The alternate bid included only a monthly payment stream.

Ongoing discussions and negotiations regarding pricing and ETA terms continued for several months with these bidders. In early 2004, Dartmouth and the Company began discussions regarding the termination of the Company's obligations under the Dartmouth Power PPA. Based on the ongoing review and analysis (described later in my testimony), it was determined that the Dartmouth proposal for terminating the Company's obligations under the Dartmouth Power PPA provided the greatest level of mitigation of the abovemarket costs associated with the Dartmouth Power PPA. On August 13, 2004, the Company and Dartmouth executed the Dartmouth Agreement.

Q. Please provide an overview of the Dartmouth Power Contract.

A. The Dartmouth Power Project is located in Dartmouth, MA, and owned by Dartmouth
Power Associates, L.P. The Dartmouth unit is a gas-fired, combined-cycle facility. The
plant has a current summer capacity rating of 61.80 MW, and a winter capacity rating of
67.9 MW.

- 1 Q. Please describe the principal provisions of the Dartmouth Power agreement.
- 2 A. The Dartmouth agreement has a twenty-five-year term beginning on May 7, 1992 through
- 3 May 7, 2017. Under the agreement, the Company is obligated to purchase 100 percent of
- 4 the summer and winter energy and capacity, or 61.8 MW and 67.9 MW of summer and
- 5 winter capacity, respectively. Pricing under the Dartmouth agreement is based on
- 6 payments for delivered energy and capacity delivered to Commonwealth. The Dartmouth
- agreement contains other provisions, including assignment rights, security provisions,
- 8 and expansion capacity options.
- 9 Q. Please describe the principal terms of the proposed Dartmouth transaction.
- 10 A. As noted more fully by Mr. Lubbock, the Dartmouth Power transaction is a termination
- of the Company's obligations under the existing Dartmouth Power PPA whereby NSTAR
- 12 Electric will make one lump-sum payment to Dartmouth.
- 13 Q. What were the key assumptions relating to the valuation of the Dartmouth Power
- 14 **Contract?**
- 15 A. As noted earlier in my testimony, the pricing provisions under the Dartmouth Contract
- include energy and capacity payments. Consequently, the primary variables in the
- 17 contract evaluations are: (1) the market price of energy and capacity; (2) the contract
- 18 cost of energy and capacity; (3) the energy production; and (4) fuel costs. To ensure
- internal consistency, the fuel, energy, and capacity, price projections were obtained from
- the same source, i.e., the Henwood forecast. Finally, CEA used a discount rate of 7.82
- 21 percent for this and all contract and bid evaluations.

Q. Given the assumptions described above, do you believe that there is a strong likelihood that the transaction will maximize the mitigation of transition costs?

A.

Yes, I do. First, as discussed earlier, the Dartmouth bid is the result of an extensive and carefully implemented auction process in which bidders were given substantial amounts of data to analyze the contracts, and were provided many opportunities to revise and enhance their bids. As noted in Exhibit NSTAR-RBH-5, Dartmouth's bid was materially better than any other bid for the Dartmouth Power Contract (none of which was finalized), and on a present-value basis is approximately 4.7% below the expected out-of-market cost of the contract. Exhibit NSTAR-RBH-6 computes the Net Present Value of the reduction in above-market costs of the Dartmouth Agreement by comparing the costs that will be incurred under the Dartmouth Agreement to the above-market costs that would be incurred under the existing Dartmouth Power Contract.

In many respects our calculation of the expected above-market costs is based on conservative estimations of underlying variables. For example, the Dartmouth units' capacity factor over the last three years has averaged 61%. As a conservative approach to calculating the above-market costs for the Dartmouth Power contract, we have assumed in our current calculations a capacity factor of 71%. Utilizing a recent average capacity factor of 61% would have resulted in approximately 5.2% savings relative to the expected above-market costs (as opposed to the more conservative 4.7% savings noted above).

Q. What is your assessment of the proposed transaction's value?

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

19

A. For the reasons noted above, it is my conclusion that the proposed transaction is likely to result in approximately 4.7% percent reduction in above-market costs for the Dartmouth Power PPA and that this reduction exists under a variety of market scenarios. In that regard, CEA performed a series of analyses under different power and fuel price scenarios and found that the proposed transaction continued to result in a reduction of the above-market costs of these contracts.

In summary, the Company ran a very competitive and unbiased auction process. NSTAR Electric announced its process to a broad market and aggressively marketed the PPA Entitlements for a substantial period. A high level of competition was maintained throughout the auction process and as a result, the Company received a series of strong, viable bids. I believe that the reduction in above-market costs in this transaction is a direct result of the competitive auction process that the Company established and implemented.

V. CONCLUSIONS

16 Q. Did the Company achieve the goals it established for this transaction?

- 17 A. Yes. As discussed earlier in my testimony, the Company established several objectives 18 for this auction process, including:
 - Minimizing the above-market costs associated with the PPA Entitlements;
- Developing, implementing and maintaining the most competitive auction process possible;

- Ensuring fair treatment of all bidders;
- Ensuring that the auction process was timely, efficient, and unbiased.
 - I believe that the Company achieved all its objectives by conducting a competitive auction that ensured the complete, uninhibited, non-discriminatory access to all data and information by all interested and qualified parties seeking to participate. Through this competitive process, NSTAR Electric has maximized the value of the PPAs and in so doing, has mitigated the above-market costs associated with the contracts for the benefit of its customers. By all of those standards, the auction process and results have been successful.
- 10 Q. Does this conclude your testimony?
- 11 A. Yes, it does.

3

4

5

6

7

8

9

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-1 Page 1 of 4

Robert B. Hevert, CFA

Concentric Energy Advisors, Inc. 313 Boston Post Road West, Suite 210 Marlborough, MA 01752

Mr. Hevert is an economic and financial consultant with broad experience in the energy industry. He has an extensive background in the areas of corporate strategic planning, energy market assessment, corporate finance, mergers, and acquisitions, asset-based transactions, asset and business unit valuation, market entry strategies, strategic alliances, project development, feasibility and due diligence analyses. Mr. Hevert has significant management experience with both operating and professional services companies.

REPRESENTATIVE PROJECT EXPERIENCE

Financial and Economic Advisory Services

Retained by numerous leading energy companies and financial institutions throughout North America to provide services relating to the strategic evaluation, acquisition, sale or development of a variety of regulated and non-regulated enterprises.

Specific services have included: developing strategic and financial analyses and managing multi-faceted due diligence reviews of proposed corporate M&A counter-parties; developing, screening and recommending potential M&A transactions and facilitating discussions between senior utility executives regarding transaction strategy and structure; performing valuation analyses and financial due diligence reviews of electric generation projects, retail marketing companies, and wholesale trading entities in support of significant M&A transactions.

Specific divestiture-related services have included advising both buy and sell-side clients in transactions for physical and contractual electric generation resources. Sell-side services have included: development and implementation of key aspects of asset divestiture programs such as marketing, offering memorandum development, development of transaction terms and conditions, bid process management, bid evaluation, negations, and regulatory approval process. Buy-side services have included comprehensive asset screening, selection, valuation and due diligence reviews. Both buy and sell-side services have included the use of sophisticated asset valuation techniques, and the development and delivery of fairness opinions.

Specific corporate finance experience while a Vice President with Bay State Gas included: negotiation, placement and closing of both private and public long-term debt, preferred and common equity; structured and project financing; corporate cash management; financial analysis, planning and forecasting; and various aspects of investor relations.

Representative non-confidential clients have included:

- Conectiv generation asset divestiture
- Eastern Utilities Associates (prior to acquisition by National Grid, PLC) generation asset divestiture
- Niagara Mohawk sale of Niagara Mohawk Energy
- Potomac Electric Company generation asset divestiture

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-1 Page 2 of 4

Representative confidential engagements have included:

- Buy-side valuation and assessment of merchant generation assets in Midwestern US
- Buy-side due diligence and valuation of wholesale energy marketing companies in Eastern and Midwestern US
- Buy-side due diligence of natural gas distribution assets in Northeastern US
- Financial feasibility study of natural gas pipeline in upper Midwestern US
- Financial valuation of natural gas pipeline in Southwestern US

Regulatory Analysis and Ratemaking

On behalf of electric, natural gas and combination utilities throughout North America, provided services relating to energy industry restructuring including merchant function exit, residual energy supply obligations, and stranded cost assessment and recovery. Also performed rate of return and cost of service analyses for municipally owned gas and electric utilities. Specific services provided include: performing strategic review and development of merchant function exit strategies including analysis of provider of last resort obligations in both electric and gas markets; and developing value optimizing strategies for physical generation assets.

Representative engagements have included:

- Performing rate of return analyses for use in cost of service analyses on behalf of municipally owned gas and electric utilities in the Southeastern and Midwestern US
- Developing merchant function exit strategies for Northeastern US natural gas distribution companies
- Developing regulatory and ratemaking strategy for mergers including several Northeastern natural gas distribution companies

Litigation Support and Expert Testimony

Provided expert testimony and support of litigation in various regulatory proceedings on a variety of energy and economic issues including the proposed transfer of power purchase agreements, procurement of residual service electric supply, the legal separation of generation assets, and specific financing transactions. Services provided also included collaborating with counsel, business and technical staff to develop litigation strategies, preparing and reviewing discovery and briefing materials, preparing presentation materials and participating in technical sessions with regulators and intervenors.

Energy Market Assessment

Retained by numerous leading energy companies and financial institutions nationwide to manage or provide assessments of regional energy markets throughout the US and Canada. Such assessments have included development of electric and natural gas price forecasts, analysis of generation project entry and exit scenarios, assessment of natural gas and electric transmission infrastructure, market structure and regulatory situation analysis, and assessment of competitive position. Market assessment engagements typically have been used as integral elements of business unit or asset-specific strategic plans or valuation analyses.

Representative engagements have included:

- Managing assessments of the NYPOOL, NEPOOL and PJM markets for major North American energy companies considering entering or expanding their presence in those markets
- Assessment of ECAR, MAPP, MAIN and SPP markets for a large US integrated utility considering acquisition of additional electric generation assets
- Assessment of natural gas pipeline and storage capacity in the SERC and FRCC markets for a major international energy company

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-1 Page 3 of 4

Resource Procurement, Contracting and Analysis

Assisted various clients in evaluating alternatives for acquiring fuel and power supplies, including the development and negotiation of energy contracts and tolling agreements. Assignments also have included developing generation resource optimization strategies. Provided advice and analyses of transition service power supply contracts in the context of both physical and contractual generation resource divestiture transactions.

Business Strategy and Operations

Retained by numerous leading North American energy companies and financial institutions nationwide to provide services relating to the development of strategic plans and planning processes for both regulated and non-regulated enterprises. Specific services provided include: developing and implementing electric generation strategies and business process redesign initiatives; developing market entry strategies for retail and wholesale businesses including assessment of asset-based marketing and trading strategies; and facilitating executive level strategic planning retreats. As Vice President, Energy Ventures, of Bay State was responsible for the company's strategic planning and business development processes, played an integral role in developing the company's non-regulated marketing affiliate, EnergyUSA, and managed the company's non-regulated investments, partnerships and strategic alliances.

Representative engagements have included:

- Developing and facilitating executive level strategic planning retreats for Northeastern natural gas distribution companies
- Developing organization and business process redesign plans for municipally owned gas/electric/water utility in the Southeastern US
- Reviewing and revising corporate merchant generation business plans for Canadian and US integrated utilities
- Advising client personnel in development of business unit level strategic plans for various natural gas distribution companies

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2002 - Present)

President

Navigant Consulting, Inc. (1997 - 2001)

Managing Director (2000 – 2001)

Director (1998 – 2000)

Vice President, REED Consulting Group (1997 – 1998)

REED Consulting Group (1997)

Vice President

Bay State Gas Company (1987 - 1997)

Vice President, Energy Ventures and Assistant Treasurer

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-1 Page 4 of 4

Boston College (1986 - 1987)

Financial Analyst

General Telephone Company of the South (1984 - 1986)

Revenue Requirements Analyst

EDUCATION

M.B.A., University of Massachusetts, Amherst, 1984 B.S., University of Delaware, 1982

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Chartered Financial Analyst, 1991 Association for Investment Management and Research Boston Security Analyst Society

PUBLICATIONS/PRESENTATIONS

Has made numerous presentations throughout the United States and Canada on several topics including:

- Generation Asset Valuation and the Use of Real Options
- Retail and Wholesale Market Entry Strategies
- The Use Strategic Alliances in Restructured Energy Markets
- Gas Supply and Pipeline Infrastructure in the Northeast Energy Markets
- Nuclear Asset Valuation and the Divestiture Process

AVAILABLE UPON REQUEST

Extensive client and project listings, and specific references.

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-2

Date	Event
July through October	Preliminary Marketing
October 1 – On-going	Finalize Confidentiality Agreements and qualify Bidders
Mid October	Confidential Offering Materials (Offering Memoranda, Draft ETA and Due Diligence Documentation) issued to Bidders
Oct. 17 – Nov. 21, 2003	Detailed due diligence, including meetings/conference calls with management and technical personnel, and confidential Q&A
November 6, 2003	Bid Instructions issued
December 3, 2003	Final Bids Received
Early December – On-going	Bid evaluation
Spring 2004	Agreement(s) executed, winner(s) announced, regulatory process commenced

October 1, 2003

[Contact]
[Title]
[Company Name]
[Address]
[Address]

Re: NSTAR PPA Entitlement Auction

Dear [Contact]:

On behalf of NSTAR Electric & Gas Corporation ("NSTAR" or the "Company"), the parent company of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (collectively, the "NSTAR Companies"), we are writing to inform you of the Company's intention to sell or otherwise transfer its rights to 24 Power Purchase Agreements ("PPA Entitlements") totaling approximately 1,100 MW of capacity and associated energy through a competitive bidding process. NSTAR has retained Concentric Energy Advisors, Inc. ("CEA") to act as its advisor in the transaction. With this letter, we invite your company to participate in the competitive bidding process for all or any combination of the NSTAR Companies' PPA Entitlements.

Overview of the PPA Entitlements

The 24 PPAs represent a portfolio of entitlements in generation facilities that have a broad range of fuel types and operational characteristics, and have a variety of contract terms and pricing provisions. An overview of the PPAs is provided in Table 1.1 on the page which follows. As shown in Figure 1.1 below, the PPA Entitlements are strategically located throughout New England, presenting opportunities for sales within the integrated New England Power Pool ("NEPOOL") and into neighboring markets.

New Hampshire

Boot Hydro

Vermont Yankee

Massachusetts
Altresco
Ploneer Hydro
Ploneer Hydro
Collins Hydro
Masspower

Chicopee Hydro
Hydro
Ploneer Energy
Rhode Island

Dartmouth
Power

Figure 1.1

Table 1.1: Overview of the NSTAR Companies' PPA Entitlements

	Entitleme	nt (MW)				
Unit & Contracting	Summer	Winter	Location	Expir	Fuel	Technology
Entity				ation		
Altresco-Pittsfield - CA	24.3	29.8	Pittsfield, MA	2011	Gas	CC Cogen
Altresco-Pittsfield - CO	24.3	29.8	Pittsfield, MA	2011	Gas	CC Cogen
Boott Hydro - CO	20.0	20.0	Lowell, MA	2023	Water	Hydro
Chicopee Hydro - CO	2.2	2.2	Chicopee, MA	2015	Water	Hydro
Collins Hydro - CO	1.3	1.3	N. Wilbraham, MA	2014	Water	Hydro
Dartmouth Power - CO	61.8	67.9	Dartmouth, MA	2017	Gas	CC
Masspower - BE	100.0	117.0	Indian Orchard, MA	2013	Gas	CC Cogen
Masspower 1 a - CO	25.7	30.0	See above	2008	Gas	CC Cogen
Masspower 2 - CO	25.7	30.0	See above	2023	Gas	CC Cogen
MBTA 1 - BE	25.0	33.4	South Boston, MA	2005	Jet Fuel	СТ
MBTA 2 - BE	25.0	34.7	See above	2019	Jet Fuel	СТ
NEA A - BE	123.5	153.0	Bellingham, MA	2016	Gas	CC Cogen
NEA B - BE	68.0	92.0	See above	2011	Gas	CC Cogen
NEA 1 - CO	22.9	28.3	See above	2016	Gas	CC Cogen
NEA 2 - CO	19.2	23.8	See above	2016	Gas	CC Cogen
Ocean State 1 - BE	63.7	74.5	Burrillville, RI	2010	Gas	CC Cogen
Ocean State 2 - BE	62.0	72.9	See above	2011	Gas	CC Cogen
Pilgrim - BE	230.8	230.8	See above	2004	Nuclear	Nuclear
Pilgrim Municipals - BE	24.4	24.4	Plymouth, MA	2004	Nuclear	Nuclear
Pilgrim - CO	36.0	36.0	See above	2004	Nuclear	Nuclear
Pioneer Hydro - CO	1.3	1.3	See above	2014	Water	Hydro
SEMASS - CO	46.2	50.7	Rochester, MA	2015	Refuse	Steam Boiler
SEMASS Expansion - CO	20.9	24.3	See above	2015	Refuse	Steam Boiler
Vermont Yankee - CA	12.7	13.2	Vernon, VT	2012	Nuclear	Nuclear
Total MW	1,066.7	1,221.1				-

CA = Cambridge Electric Light Company

CO = Commonwealth Electric Company

BE = Boston Edison Company

CC = Combined Cycle

CT = Combustion Turbine

NSTAR will consider bids for all PPAs, any individual PPA, or any combination of PPAs. The NSTAR Companies anticipate transferring the PPAs to the winning bidder(s) through an Entitlement Transfer Agreement ("ETA"), under which all rights and obligations under the PPAs will be transferred to the winning bidder(s) for the remaining term of the PPAs.

Overview of Competitive Bidding Process and Schedule

NSTAR intends to conduct a single-stage bidding process, which will provide all bidders the opportunity to perform detailed due diligence and will culminate with the submission of bids in mid-November. An overview of the major milestones in the competitive bidding process is provided in Table 1.2 below. Please note that the competitive bidding process and schedule described herein represent the Company's best current estimate and are subject to change. Bidders will be notified promptly of any changes to the bidding process or schedule.

Table 1.2 Bidding Process Milestones

Date	Event
October 1 – On-going	Finalize Confidentiality Agreements and qualify Bidders
Early October	Confidential Offering Materials (Offering Memoranda, Draft ETA and Due Diligence Documentation) issued to qualified bidders
Oct. 6 – Nov. 7, 2003	Detailed due diligence, including meetings/conference calls with management and technical personnel, and confidential Q&A
October 24, 2003	Bid Instructions issued
November 14, 2003	Bids due
December 3, 2003	Bid evaluation, short list notified and negotiations
December 31, 2003	Agreement(s) executed, winner(s) announced, regulatory process commenced

Parties who are interested in bidding on any of the PPA entitlements must submit to CEA a Statement of Qualifications as well as an executed Confidentiality Agreement, each of which are enclosed with this letter. Submissions should be made as quickly as possible to:

Robert B. Hevert
Concentric Energy Advisors, Inc.
313 Boston Post Road West, Suite 210
Marlborough, MA 01752
(508)263-6204 phone
(508) 303-3290 fax
bhevert@ceadvisors.com

Upon the submission of an executed Confidentiality Agreement, bidders will be issued the Company's confidential PPA Entitlement Offering Materials, including the Offering Memorandum, draft ETA, Due Diligence Documentation (e.g., copies of contracts and invoices), and spreadsheet models of each PPA. Qualified bidders will be provided the opportunity to perform detailed due diligence, including meetings with Company representatives.

The NSTAR Companies expressly reserve the right, in their sole and absolute discretion, to negotiate with one or more parties at any time and to enter into a definitive agreement for a transaction involving all or any portion of the PPAs without prior notice to bidders. The NSTAR Companies, and CEA on their behalf, also reserve the right at any time, to modify any of the rules or procedures set forth herein or any other procedure, without prior notice and without assigning any reason, or to terminate the process contemplated by this letter.

All requests for further information regarding the PPAs should be made to CEA. Employees of the NSTAR Companies or their affiliates or subsidiaries should not be contacted regarding this transaction.

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-3 Page 4 of 9

Thank you for your consideration. We look forward to working with you on this exciting opportunity.

Sincerely,

CONCENTRIC ENERGY ADVISORS, INC.

6 Blood

President

Enclosures:

Confidentiality Agreement Request for Qualifications

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-3 Page 5 of 9

CONFIDENTIALITY AGREEMENT

This AGREEMENT is entered into as of the	day of, 2003 by and between 1	Boston Edison
Company, Commonwealth Electric Company ar	nd Cambridge Electric Light Company, e	ach being a
Massachusetts corporation with a principal place	e of business at 800 Boylston Street, Bos	ton, Massachusetts
("NSTAR Companies"), and	, a,	with a
principal place of business at		
Companies and Counterparty are collectively re-	eferred to as "the Parties", and also indivi-	dually as the "Party",
herein.		
<u>Preamble</u>		
The Parties desire to engage process to value cer		

In the course of this process the parties intend to exchange confidential and proprietary information, as

Agreement

hereinafter described.

In consideration of the covenants set forth herein, the Parties agree as follows:

1. EXCHANGE OF CONFIDENTIAL INFORMATION

1.1 The Parties agree to exchange confidential and/or proprietary information that may include business plans, financial data, load data, supply and resource data, contractual terms, pricing, proposals and other market-sensitive information, all of the foregoing being referred to herein as "Confidential Information." The Confidential Information may be conveyed in the course of the discussions between the parties, or in hard copy and/or electronic form. A Party providing Confidential Information under this Agreement is referred to herein as the "Disclosing Party," and the party receiving Confidential Information is referred to as "the Recipient."

2. RELIANCE ON INFORMATION

2.1 The parties acknowledge that neither NSTAR Companies nor their representatives nor any of the respective officers, partners, directors, employees, agents or controlling persons of NSTAR Companies or such representatives makes any express or implied representation or warranty as to the accuracy or completeness of any Confidential Information, and Counterparty agrees that none of such persons shall have any liability to Counterparty or its representatives or to any other person relating to or arising from Counterparty's use of any Confidential Information or for any errors therein or omissions there from. Counterparty agrees that it is not entitled to rely on the accuracy or completeness of any Confidential Information and that it shall be entitled to rely solely on such representations and warranties regarding Confidential Information as may be made in any final acquisition agreement relating to the Possible Sale, subject to the terms and conditions of such agreement.

3. PROTECTION OF INFORMATION

- 3.1 The Recipient acknowledges the proprietary rights of the Disclosing Party in and to the Confidential Information. The Parties further acknowledge and agree that no license or other proprietary interest in the Confidential Information is granted or transferred to Recipient hereby, or by the receipt of such Information by Recipient. The Recipient also acknowledges and agrees that the Confidential Information is furnished to it on a confidential basis, for the sole and exclusive use of the Recipient in connection with the aforementioned discussions, and the Recipient agrees that it will not use the Confidential Information for any other purpose nor publish, disclose or otherwise divulge the Confidential Information to any person, entity, or firm without the prior written consent of the Disclosing Party, except as provided herein. The Recipient shall permit access to the Information only to those of its and affiliates' own employees, officers, directors and consultants who have a need to know for purposes of the referenced discussions.
- 3.2 The copies made of said Confidential Information must be returned or destroyed upon the request of Disclosing Party. The Recipient shall upon request confirm in writing by affidavit that it has returned the Confidential Information or that all copies of the Information have been destroyed.
- 3.3 If the Recipient is requested by a governmental or judicial body to release to such body any Confidential Information, the Recipient shall notify the Disclosing Party of such request as soon as practicable to allow the Disclosing Party to seek an appropriate protective order. Absent a protective order, if required by order of a governmental or judicial body, the Recipient may, subject to protest and appeal by either party, release to such body the Confidential Information required by such order, provided that the Recipient shall use its best efforts to cause that body to treat such Confidential Information in a confidential manner, and prevent such information from becoming a part of the public domain.
- 3.4 Except as otherwise provided herein, in performing its obligations under this Article 2, the Recipient shall employ at its own cost procedures no less restrictive than the strictest procedures used by the Recipient to protect its own confidential information to prevent unauthorized disclosure or use of Confidential Information provided hereunder.
- 3.5 The Recipient agrees that remedies at law may be inadequate to protect Disclosing Party in the event of a breach of this Agreement, and the Recipient hereby in advance agrees to the granting of injunctive relief in favor of the Disclosing Party, to prevent the continuation of any such breach without proof of actual damages.
- 3.6 This Article 3 shall survive termination of this Agreement.

4. LIMITATIONS ON OBJECTIONS

4.1 The parties acknowledge the collective benefit to all persons participating in the Possible Sale process of finality in the process and of NSTAR Companies providing Counterparty with access to the Confidential Information pursuant to this letter agreement, the sufficiency of which consideration is hereby acknowledged, Counterparty further agrees (i) not to object in any regulatory proceedings seeking authorization relating to any sale of a power purchase agreement by NSTAR Companies and (ii) not to seek from any regulatory agency or any court any order, judgment or decree that Counterparty's bid was the "highest" or "best" bid, that Counterparty should have been chosen as the successful bidder in the process, that NSTAR Companies erred in their evaluation of the price, terms or conditions of Counterparty's bid or any bid of any other participant in the process as compared to

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-3 Page 7 of 9

the chosen successful bidder's bid (if there be one), or that NSTAR Companies otherwise exercised in their discretion in connection with this process in an inappropriate manner.

5. GENERAL CONDITIONS

- 5.1 The term of this Agreement shall commence as of the date hereof and shall continue for a period of three (3) years thereafter, and may be extended from month to month by written agreement.
- No waiver, consent, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of both of the parties hereto, and no waiver by any party of any default of the other shall be deemed to be a waiver by such party of any other default.
- 5.3 If any court shall deem any provision of this Agreement unenforceable by reason of the extent or duration of the covenants contained herein or for any other reason, then the parties agree that the court shall reduce or modify as appropriate the provision hereof that is unenforceable so as to render such provision (and/or the remaining provisions of this Agreement) enforceable, and that this Agreement as so modified shall otherwise remain in full force and effect in accordance with its terms.
- 5.4 Confidential Information is provided hereunder without warranty or representation by the Disclosing Party as to the accuracy or completeness thereof.
- 5.5 Except to the extent set forth in this Confidentiality Agreement, Counterparty agrees that until a final acquisition agreement regarding the Possible Sale has been executed by the Parties, neither the nor its representatives are under any legal obligation and shall have no liability to Counterparty of any nature whatsoever with respect to the Possible Sale by virtue of this agreement or otherwise.
- This Agreement represents the entire Agreement between the parties with respect to the subject matter set forth herein, may only be amended by a writing signed by the parties, shall inure to and be binding upon the parties and their respective successors and assigns.
- 5.7 This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by and construed and enforced in accordance with the law of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above-stated.

BOSTON EDISON COMPANY COMMONWEALTH ELECTRIC COMPANY CAMBRIDGE ELECTRIC LIGHT COMPANY		
5	D	
By:	By:	

NSTAR PPA AUCTION REQUEST FOR QUALIFICATIONS

Parties that intend to submit Bids for the 24 Power Purchase Agreements ("PPA Entitlements") totaling approximately 1,100 MW of capacity and associated energy must provide a complete Qualifications Package. Upon receipt and approval of the Qualifications Package, the interested party will become a "Qualified Bidder" as described in the Confidential Offering Memorandum. Qualifications Packages must be received no later than October 31, 2003 and should be organized as described below:

- 1. Identification of Parties: Each prospective Bidder must identify the entities that will submit their Bid. This information must include:
 - a. The name and role of each entity included in the bidding group;
 - b. Primary and secondary contact information for individuals responsible for submitting Bids;
 - c. Name and contact details for any advisors retained in connection with the bidding process;
 - d. Any and all anticipated partners; and
 - e. If known, the source of funds and a general description of the anticipated transaction financing.

2. Identification of Assets:

- a. For the purpose of assessing potential market power issues, each prospective Bidder must identify generating assets, both physical and contractual, that it owns, operates or controls within NEPOOL.
- 3. Financial Qualifications: NSTAR will qualify prospective Bidders based in part on their demonstrated ability to finance the proposed transaction. NSTAR will not accept Bids that contain financing contingencies. For the purposes of establishing financial capability, prospective Bidders must, to the extent available, for each bidding group, submit all reports filed with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder for the most recent two (2) fiscal years. If the prospective Bidder is not required to file the reports noted above, audited or certified financial statements for the same periods must be provided.

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-3 Page 9 of 9

NSTAR PPA AUCTION REQUEST FOR QUALIFICATIONS

4. Conflicts of Interest: Each prospective Bidder must briefly describe any known material conflicts of

interest between itself or any member of its bidding group and NSTAR including, but not limited to:

a. Any litigation involving the prospective Bidder or any member of the bidding group and any

of the NSTAR Companies;

b. Any claims asserted by the prospective Bidder or any member of the bidding group against

any of the NSTAR Companies; and

c. Any indebtedness of the prospective Bidder or any member of the bidding group to any of

the NSTAR Companies as a borrower, guarantor or otherwise.

5. Necessary Approvals: Prospective Bidders should indicate all internal and external approvals

required to close the transaction. Bids subject to further internal approvals will not be accepted.

Prospective Bidders must provide the information requested herein to NSTAR through its advisors,

Concentric Energy Advisors ("CEA"), at the addresses shown below no later than Friday, October 31, 2003.

NSTAR and CEA will review the Qualifications Package upon receipt. Prospective Bidders must be qualified by

NSTAR in order to submit Bids.

Please send two copies of the Qualifications Package to the address shown below:

Robert Hevert

President

Concentric Energy Advisors

313 Boston Post Road West, Suite 210

Marlborough, MA 01752

Phone: (508) 263-6204

Fax: (508) 303-3290

Email: bhevert@ceadvisors.com

Please direct any questions regarding this or any other aspect of this transaction to Robert Hevert at the

number noted above.

Page 2 of 2



Testimony of Robert B. Hevert
D.T.E. 04-78
Exhibit NSTAR-RBH-4
Page 1 of 5

313 Boston Post Road West, Suite 210 Marlborough, MA 01752 508.263.6200 • 508.303.3290 fax www.ceadvisors.com

PRIVILEGED AND CONFIDENTIAL

November 6, 2003

Dear:

On behalf of the NSTAR Electric & Gas Corporation ("NSTAR" or the "Company"), the parent company of Boston Edison Company, Cambridge Electric Light Company, and Commonwealth Electric Company (collectively, the "NSTAR Companies"), Concentric Energy Advisors, Inc. ("CEA") is writing to inform you of the timing and procedures for submitting final bids ("Bids") regarding the transfer of entitlements to certain power purchase agreements ("PPAs").

FINAL BID DUE DATE AND CONCLUSION OF DUE DILIGENCE

Final Bids will be due at 12:00 noon EST on Tuesday, November 25, 2003. The deadline for submitting remaining due diligence questions and for participating in meetings or conference calls with NSTAR management will be Friday, November 21, 2003.

- 1. **Bid Form:** Bidders should complete and provide the PPA Entitlement Bid Form for each PPA for which a bid is being submitted. Please note that bids will be evaluated based on proposals submitted as of November 25, 2003. As noted in Paragraph 6 below, Bidders should assume a closing date of April 1, 2004. To the extent that bids must be periodically re-marked to reflect changes in market conditions prior to the closing date, or changes in the date of the closing, bidders should provide the formula and indices that would be used to adjust such bid. Please note that both the complexity of re-marking formulas and the level of re-pricing will be factors considered by the Company in its evaluation of bids.
- **2.** Confirmation of Bidding Group: List all parties in the bidding group (as defined in the Request for Qualifications). If there have been any changes to the bidding group since the qualification process, such changes must be clearly identified.
- **3.** *Bidders may form consortia:* In such cases, CEA must be promptly notified and a lead Bidder must be designated for the purpose of communications and possible negotiations.
- 4. *Identification of Advisors:* Identify all advisors to the Bidder, along with their respective roles.

- **5.** *Identification of Interest:* Clearly identify the PPAs for which the Bid is being submitted. If separate Bids are being submitted for different PPAs or combinations of PPAs, clearly identify each such Bid and the PPAs to which it applies.
- **6.** *Pricing Options:* For each PPA Entitlement being sought, clearly state the pricing Option and amounts for that PPA. For the purpose of the Bid, the effective date of the ETA should be assumed to be April 1, 2004. As noted above, bidders must provide, their proposed adjustment formulas and underlying indices intended to reflect changes in market prices or the timing of closing.
- 7. Approvals: Provide a list of regulatory, and/or governmental and other approvals required to close the transaction(s) contemplated, the process for obtaining and estimated time required to secure such approvals. Please note that Bids contingent upon board, shareholder or other internal approvals may be rejected. All proposals must be signed by an official authorized to bind the Bidder.
- 8. Financial Qualifications: Each Bidder or its unconditional guarantor is required to demonstrate that it meets minimum credit criteria, including maintenance of an investment grade credit rating and a minimum capitalization threshold sufficient to support its bid through the term of the longest-lived PPA Entitlement in its bid package. To that end, the Bidder may be required to provide a stand-by letter of credit or similar security instrument provided by an investment grade commercial bank. The term of the security instrument together with detailed security provisions are described in the Transaction Agreements.

Bidders must explain how the required financial security would be provided and the status of any documentation required for the Bidders to provide such security. In addition, if the Bidder proposes to provide financial assurance through a parent and/or affiliate, the Bidder should submit similar information with respect to that entity.

To the extent a special purpose entity ("SPE") is anticipated, the Bidder must provide the identity and relationship between the SPE and the entity providing the necessary credit support and indemnities. As stated above, the Bidders must identify the entity providing credit support for the proposed transaction and ongoing financial obligations, as well as its relationship to the Bidder or bidding group.

9. Exceptions to the Entitlement Transfer Agreement: To the extent a Bidder wishes to propose bid-enhancing exceptions to the Entitlement Transfer Agreement, the Bidder must include an electronically marked copy of the documents. All proposed language additions, deletions, or changes should be clearly marked and should be indicated in the relevant place in the text of the documents. The extent and nature of the proposed exceptions will be taken into consideration in evaluating Bids. Significant deviations from the terms as stated in the Transaction Agreements will be viewed negatively in the Bid evaluation process.

Three paper copies of your entire Bid package and one electronic copy (MS Word format) of any proposed modifications to the Entitlement Transfer Agreement, and the PPA Entitlement Bid Form should be delivered by Tuesday, November 25, 2003 12:00 noon EST to:

PRIVILEGED AND CONFIDENTIAL

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-4 Page 3 of 5

Concentric Energy Advisors 313 Boston Post Road West, Suite 210 Marlborough, MA 01752 Attention: Robert B. Hevert Telephone: 508.263.6204

The NSTAR Companies intend to select the successful bidder(s), with the assistance of CEA, as soon as practicable following the receipt of Bids. NSTAR expressly reserves the right, in its sole and absolute discretion, to negotiate with one or more Bidders at any time during this process. All Bidders will be notified regarding the outcome of this process if, when and as appropriate. NSTAR, and CEA on its behalf, reserves the right to terminate the bidding and solicitation process and to modify any of the rules or procedures set forth herein, or any other procedures, at any time without prior notice and without assigning any reason. All Bidders will be notified of any such modifications if, when and as appropriate. CEA will continue as the point of contact regarding the Bid submission process, including continuing due diligence matters.

If you have any questions about these instructions, or require any additional information regarding this bidding process, please contact your Bidder Representative. Finally, please note that the existence and content of this letter, and the existence, content and status of any Bid are subject to the Confidentiality Agreement previously executed by you.

On behalf of the NSTAR Companies, thank you for your continuing interest in this process.

Regards,

CONCENTRIC ENERGY ADVISORS, INC.

Phone: 508.263.6204

Email: bhevert@ceadvisors.com

Enclosures: Attachment 1: PPA Entitlement Bid Form

-Blowt

PPA ENTITLEMENT BID FORM

Bidders should provide three (3) hard copies, and	one electronic copy of this bid form for each PPA.
Name of Bidding Group:	
Name of PPA Entitlement: As provided	
in Section 5 of the Offering Memorandum	

Pricing: Pricing for each of the PPA Entitlements can be structured in either of two ways. Option 1 is a lump sum payment from the Bidder to NSTAR (positive number) or from NSTAR to Bidder (negative number) based on NSTAR paying the indicated monthly support payments for each contract. NSTAR will provide each Bidder a schedule of monthly support payments for the term of each of the PPAs. Bidders should evaluate the PPA based on that support payment and propose a price they would pay (a positive number) or payment they would require from NSTAR (a negative number) to assume the rights and obligations of the PPA pursuant to the ETA. Option 2 is available for contracts with energy only pricing under the PPA (no fixed charges). Under Option 2 bidders should indicate the price per megawatt hour they would pay to NSTAR for energy delivered pursuant to an entitlement transfer of that PPA.

All bids should be for the full remaining term of any PPA and for the full output associated with any PPA. All bids are to be quoted in US dollars.

Pricing Option 1: Fixed Monthly Entitlement Support Payment from NSTAR to the Bidder:

Year	MONTHLY Support Payment	Year	MONTHLY Support Payment
2004	(To Be Supplied NSTAR)	2016	(To Be Supplied NSTAR)
2005	(To Be Supplied NSTAR)	2017	(To Be Supplied NSTAR)
2006	(To Be Supplied NSTAR)	2018	(To Be Supplied NSTAR)
2007	(To Be Supplied NSTAR)	2019	(To Be Supplied NSTAR)
2008	(To Be Supplied NSTAR)	2020	(To Be Supplied NSTAR)
2009	(To Be Supplied NSTAR)	2021	(To Be Supplied NSTAR)
2010	(To Be Supplied NSTAR)	2022	(To Be Supplied NSTAR)
2011	(To Be Supplied NSTAR)	2023	(To Be Supplied NSTAR)
2012	(To Be Supplied NSTAR)	2024	(To Be Supplied NSTAR)
2013	(To Be Supplied NSTAR)	2025	(To Be Supplied NSTAR)
2014	(To Be Supplied NSTAR)	2026	(To Be Supplied NSTAR)
2015	(To Be Supplied NSTAR)		

NSTAR PPA ENTITLEMENT BID FORM PAGE TWO

Pricing Option 2: Fixed Price per MWH delivered under the contract:

Year	\$/MWH	Year	\$/MWH
2004		2016	
2005		2017	
2006		2018	
2007		2019	
2008		2020	
2009		2021	
2010		2022	
2011		2023	
2012		2024	
2013		2025	
2014		2026	
2015			
	·		

Is this bid separable from other PPA Entitlement bids made by Bidder? _____ (Yes/No) If No, indicate the specific PPA Entitlements that should be considered as a bundle:

To the extent that any bid is subject either to a re-mark to market between the date of submission and the date of closing, or to a price adjustment based on variations in the closing date, please provide the formula specifying how the bid would be adjusted to reflect any such changes. For the purposes of this adjustment formula please assume that all PPA transfers would occur on the first day of the month and that the closing would occur between February 1, 2004 and April 1, 2004. Further, for all proposed re-marks, clearly indicate the starting value used to develop the bid and the published index or indices that provide the basis for the change.

Bidders should be aware that NSTAR will require any re-marking to be based on publicly available indices or data sources; and the Company strongly prefers that re-marking be kept to as low a level as possible.

PRIVILEGED AND CONFIDENTIAL

Testimony of Robert B. Hevert
D.T.E. 04-78
Exhibit NSTAR-RBH-5

Initial Dartmouth Bids - December 3, 2003

Final Bids - Spring 2004 [2]

(In \$1,000's) Portfolio Bid Dartmouth Portfolio Bid Dartmouth

REDACTED

Testimony of Robert B. Hevert D.T.E. 04-78 Exhibit NSTAR-RBH-6 Page 1 of 4

	(in \$1,000's)													
Line		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	Commonwealth Electric													
2	Projected Market Price													
3	Projected Contract Cost													
4	Above Market Amount				F	REDAC	CTED							
5														
6	Total PV of Above Market Amount [1]													
7														
8	Dartmouth Termination Price													
9	Reduction in Above Market													
10														
11														
12														
13	NOTES													
14	[1] Present value at 7.82% as of 4/1/05													

Commonweath Projected Contract Cost Summary

ne	Year	Total KWh [1]	Energy Charge [2]	Capacity Charge [3]	Investment Cost [4]	Pipeline Transportation Demand Cost [5]	Bonus/Penalty Cost Adjustment [6]	Total
	2005							
	2006							
	2007							
ļ	2008							
				REDAC	TED			
5	2009			KEDAC	<i>,</i> ED			
5	2010							
7	2011							
8	2012							
)	2013							
0	2014							
1	2015							
2	2016							
3	2017							
4								
5								
6								
7								
3								
)								
0								
1 2								
3								
3 4								

	**	OF 151 01/5	0 (0/1/1)
Line	Year	SEMA 24/7	Gas (\$/Mmbtu)
1	2005		
-			
2	2006		
3	2007		
			CTED
4	2008	REDA	CIED
5	2009		
6	2010		
7	2011		
8	2012		
9	2013		
10	2014		
11	2015		
12	2016		
13	2017		

Projected Market Price Summary

Line	Year	Total KWh [1]	SEMA Prices (\$/MWh)	Commonwealth Market Prices [2]
1	2005			
2	2006			
3	2007			
4	2008			
				TED
5	2009		REDA (ノートレ
6	2010			
7	2011			
8	2012			
9	2013			
10	2014			
11	2015			
12	2016			
13	2017			